As filed with the Securities and Exchange Commission on June 4, 2015.

Registration No. 333-204262

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 1
TO
FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

AppFolio, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**7372**	**26-0359894**
(State or other jurisdiction of incorporation or organization)	***(Primary Standard Industrial Classification Code Number)***	***(I.R.S. Employer Identification Number)***

50 Castilian Drive
Goleta, California 93117
(805) 617-2167

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Brian Donahoo, Chief Executive Officer
Ida Kane, Chief Financial Officer
AppFolio, Inc.
50 Castilian Drive
Goleta, California 93117
(805) 364-6093
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

C. Craig Carlson, Esq. **Ryan C. Wilkins, Esq.** **Stradling Yocca Carlson & Rauth, P.C.** **660 Newport Center Drive** **Newport Beach, California 92660** **(949) 725-4000**	**Lisa A. Murison, Esq.** **Stradling Yocca Carlson & Rauth, P.C.** **100 Wilshire Boulevard** **Santa Monica, California 90401** **(424) 214-7000**	**Mark A. Bertelsen, Esq.** **Jose F. Macias, Esq.** **Wilson Sonsini Goodrich & Rosati, P.C.** **650 Page Mill Road** **Palo Alto, California 94304** **(650) 493-9300**

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒ (Do not check if a smaller reporting company)	Smaller reporting company	☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Proposed Maximum Aggregate Offering Price(1)(2)**	**Amount of Registration Fee(3)**
Class A Common Stock, $0.0001 par value per share	$100,000,000	$11,620

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.
(2) Includes the aggregate offering price of additional shares that the underwriters have the option to purchase to cover over-allotments, if any.
(3) Calculated pursuant to Rule 457(o) based on an estimate of the proposed maximum aggregate offering price. The registrant previously paid the registration fee in connection with the initial filing of this registration statement on May 18, 2015.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS (Subject to Completion)
Issued , 2015

Shares

Class A Common Stock

AppFolio, Inc. is offering shares of its Class A common stock. This is our initial public offering, and no public market currently exists for our shares. We anticipate that the initial public offering price will be between $ and $ per share.

Following this offering, we will have two classes of authorized common stock: the Class A common stock offered hereby and Class B common stock. The rights of the holders of our Class A common stock and Class B common stock will be identical, except with respect to voting and conversion rights. Each share of our Class A common stock will be entitled to one vote. Each share of our Class B common stock will be entitled to 10 votes and will be convertible at any time into one share of our Class A common stock. The holders of our outstanding Class B common stock, which include our executive officers, directors and principal stockholders, will hold approximately % of the combined voting power of our outstanding capital stock following this offering.

We have applied to list our Class A common stock on the NASDAQ Global Market under the symbol "APPF."

We are an "emerging growth company" as defined under the U.S. federal securities laws and, as such, have elected to comply with certain reduced public company reporting requirements. Investing in our Class A common stock involves risks. See "Risk Factors" beginning on page 17.

PRICE $ A SHARE

	Price to Public	***Underwriting Discounts and Commissions(1)***	***Proceeds to AppFolio, Inc.***
Per Share	*$*	*$*	*$*
Total	*$*	*$*	*$*

(1) See "Underwriters" for a description of the compensation payable to the underwriters.

We have granted the underwriters the right to purchase up to an additional shares of our Class A common stock to cover over-allotments.

Certain entities associated with our existing stockholders, including entities affiliated with Investment Group of Santa Barbara, which is one of our principal stockholders and an affiliate of one of our directors and one of our director nominees, have indicated an interest in purchasing up to $25 million of shares of our Class A common stock in this offering, at the initial public offering price. Because these indications of interest are not binding agreements or commitments to purchase, such entities may elect to purchase more or fewer shares than they indicate an interest in purchasing or not to purchase any shares in this offering. In addition, the underwriters may elect to sell more or fewer shares or not to sell any shares in this offering to such entities. The underwriters will receive the same discount from any shares sold to such entities as they will from any other shares sold to the public in this offering.

The Securities and Exchange Commission and state regulators have not approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of our Class A common stock to purchasers on , 2015.

MORGAN STANLEY *CREDIT SUISSE*

PACIFIC CREST SECURITIES *WILLIAM BLAIR*

, 2015

Table of Contents

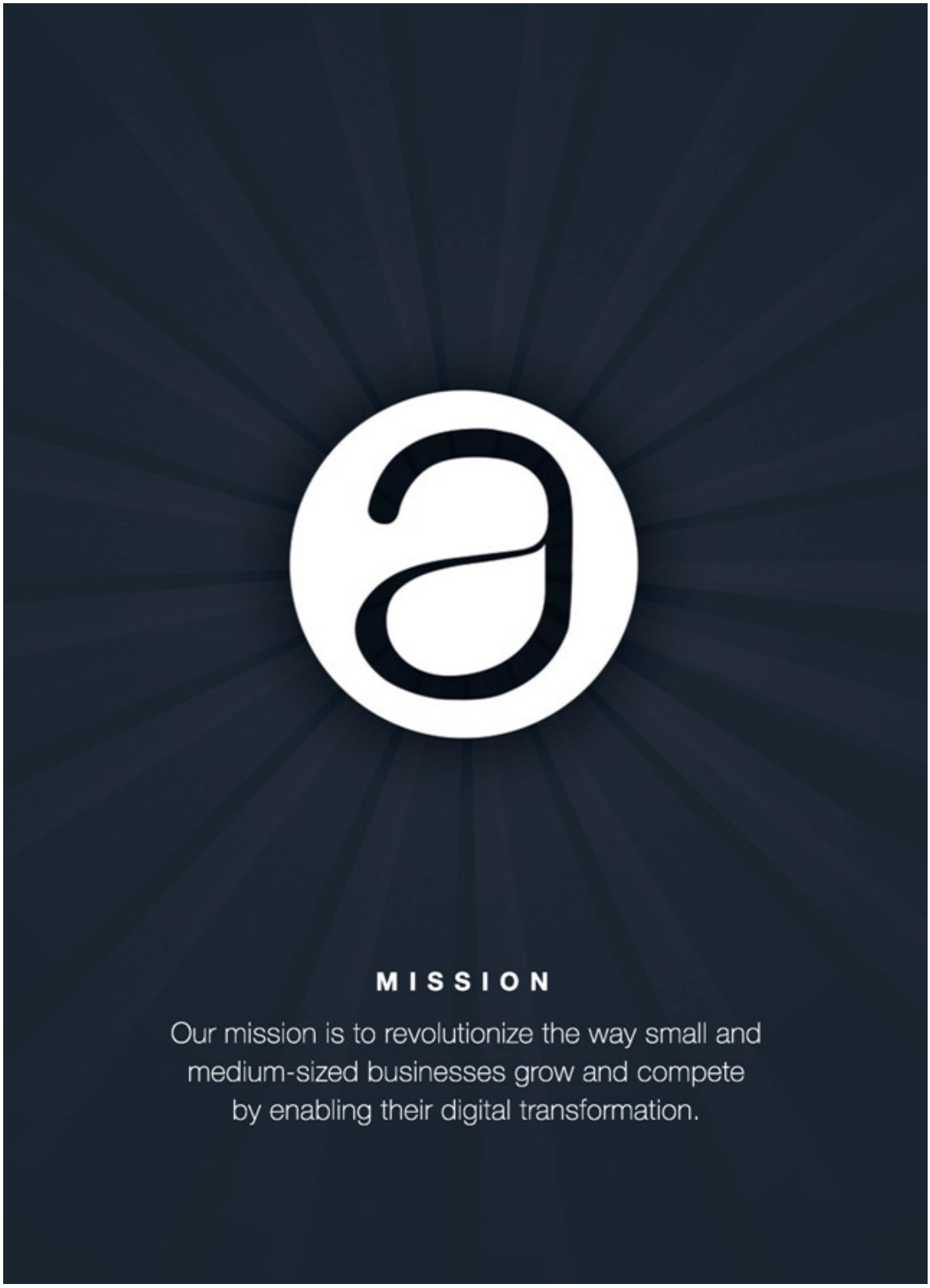


Table of Contents

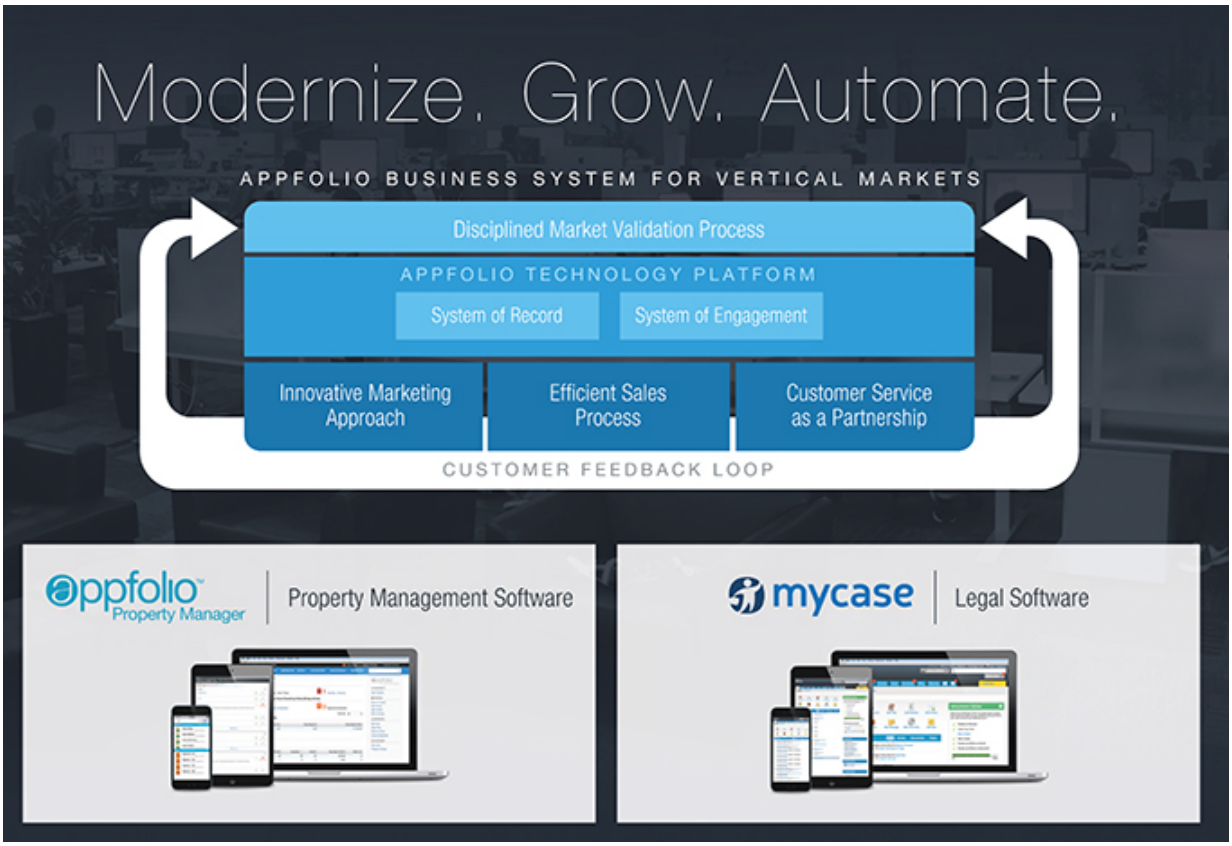


TABLE OF CONTENTS

In considering whether to purchase shares of our Class A common stock in this offering, you should rely only on the information contained in this prospectus and any free writing prospectus we file with the Securities and Exchange Commission, or SEC. Neither we nor the underwriters have authorized anyone to provide any information, or to make any representations, other than those contained in this prospectus or in any free writing prospectuses we file with the SEC. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may provide to you. This prospectus is an offer to sell only the shares of our Class A common stock offered hereby, but only under the circumstances and in the jurisdictions where it is lawful to do so.

The information contained in this prospectus is accurate only as of the date on the front cover of this prospectus, regardless of the time of delivery of this prospectus or any sale of our Class A common stock. Our business, financial condition, results of operations and prospects may have changed since that date.

For investors outside of the United States: Neither we nor the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus outside of the United States.

Through and including , 2015 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

PROSPECTUS SUMMARY

This summary highlights certain information appearing elsewhere in this prospectus. This summary does not contain all the information you should consider in making a decision to invest in our Class A common stock. You should carefully read this entire prospectus, including the sections entitled "Risk Factors," "Selected Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our consolidated financial statements and the related notes included elsewhere in this prospectus, before making an investment decision.

Unless otherwise stated in this prospectus, references to "AppFolio," "we," "us," and "our" refer to AppFolio, Inc. and its consolidated subsidiaries.

APPFOLIO, INC.

Our Mission

Our mission is to revolutionize the way small and medium-sized businesses grow and compete by enabling their digital transformation.

Overview

We provide industry-specific, cloud-based software solutions for small and medium-sized businesses, or SMBs, in the property management and legal industries, or verticals. Our platform is designed to be the system of record to automate essential business processes and the system of engagement to enhance business interactions between our customers and their clients and vendors. Our mobile-optimized software solutions have a user-friendly interface across multiple devices, enabling our customers to work at any time and from anywhere. Our property management software provides small and medium-sized property managers with an end-to-end solution to their business needs, enabling them to manage properties quickly and easily in a single, integrated environment. Our legal software provides solo practitioners and small law firms with a streamlined practice and case management solution, allowing them to manage their practices and case load within a flexible system. We also offer optional, but often mission-critical, Value+ services, such as our professionally designed websites and electronic payment services, which are seamlessly built into our core solutions.

SMBs face numerous issues that divert limited time and resources away from serving their clients and growing their businesses. The business activities of SMBs are complex and their day-to-day operations are often managed through inefficient manual processes and disparate software systems. The lack of automation and integrated technology places a significant administrative burden on these businesses, particularly in industries that involve unique workflows, relationships among multiple industry participants, significant data inputs, and compliance or regulatory requirements. While larger enterprises and consumers have been experiencing a transformational shift into the digital age, the legacy systems currently used by many SMBs are lagging behind in terms of technological sophistication and ease of use.

Business management software, which initially served to differentiate competitors, is now critical to any business's survival and success in an increasingly connected and online world. The ability of SMBs to capitalize on the power of software to interact with their clients, vendors and other industry participants, and to mine the data and insights gleaned from these relationships, is integral to their ability to compete more effectively in commerce today, not only with other SMBs but also with larger enterprises. SMBs need an intuitive, reliable and fully integrated software solution that brings superior technology and services to their specific industry workflows and meets their key operational requirements.

We have custom-tailored our business to enable us to revolutionize the way that SMBs grow and compete. We refer to our approach to addressing similar, fundamental business needs of SMBs across our targeted verticals as our AppFolio Business System. At the center of our AppFolio Business System is a common technology platform, which provides functionality across our software solutions in our targeted verticals. We apply a disciplined approach of using market validation to select and develop new core functionality and Value+ services for our existing markets and to identify the most suitable adjacent markets and new verticals to pursue. Based on the results of our market validation process, we strive to deploy exceptional cloud-based technology designed to improve the efficiency and productivity of businesses. We use in-bound marketing, participation at customer and industry events, and in-app messaging to educate new and existing customers on how our software solutions can transform their businesses. Based on the foundation created by our marketing activities, our sales team quickly builds relationships with potential customers, assesses their business challenges and demonstrates the benefits of our core functionality and Value+ services. We partner with our customers to navigate their digital transformation by streamlining the on-boarding process and providing ongoing advice on best practices. We continuously expand our core functionality and add new Value+ services based on feedback from our customers, which is collected across our organization and used by our research and product development team to release frequent updates to our software solutions. Our customer-centric culture fosters long-term relationships with our customers and helps to facilitate their business success.

Our core solutions address common business functions and interactions of SMBs in our targeted verticals by providing key functionality, including accounting, document management, real-time interactive search, data analytics and communication options. We currently offer AppFolio Property Manager, or APM, for property managers and MyCase for law firms. APM is a comprehensive solution for the operational requirements of small and medium-sized property managers, including activities such as posting and tracking tenant vacancies, handling the entire leasing process electronically, administering maintenance and repairs with their vendor networks, managing accounting and reporting to property owners. MyCase is a flexible practice and case management solution for solo practitioners and small law firms, providing time tracking, billing and payments, client communication, coordination with other lawyers and support staff, legal document management and assembly, and general office administration. As MyCase is in an earlier stage of development than APM, we are continuing to expand its core functionality.

In addition to our core solutions, we offer a range of optional, but often mission-critical, Value+ services. Our Value+ services are available on an as-needed basis and enable our customers to adapt our platform to their specific operational requirements. Today, we offer certain Value+ services to both our property manager and law firm customers, namely, professionally designed websites and electronic payment services. In addition, we offer the following Value+ services to our property manager customers: resident screening; tenant liability insurance; and our contact center to resolve or route incoming maintenance requests. Over time, we anticipate offering similar and additional Value+ services across our targeted verticals.

Due to our strong leadership, talented team and investments across our organization, we have experienced significant growth. Our senior management has a proven track record, averaging over 15 years of experience as pioneers in the cloud-based software industry, many of whom have worked together since 1999. For the years ended December 31, 2013 and 2014, our revenue was $26.5 million and $47.7 million, respectively, representing year-over-year growth of 80%. For the three months ended March 31, 2014 and 2015, our revenue was $9.8 million and $15.8 million, respectively, representing period-over-period growth of 61%. We increased our employee headcount from 254 employees as of December 31, 2013 to 377 employees as of December 31, 2014 and to 430 employees as of March 31, 2015. As a result of the substantial increase in headcount, as well as other investments to expand research and product development, customer service, and sales and marketing, and maintain and expand our technology infrastructure and operational support, we incurred net losses of $7.3 million, $8.6 million, $1.2 million and $3.6 million for the years ended December 31, 2013 and 2014 and the three months ended March 31, 2014 and 2015, respectively. We have invested, and intend to continue to invest, heavily in our business to capitalize on our market opportunity.

Industry Background

Small and Medium-Sized Businesses Are a Large and Important Segment of the Economy

SMBs represent a significant proportion, and are an essential driver, of the U.S. economy. In particular, SMBs spark innovation, create jobs, and provide opportunities for success. According to the U.S. Small Business Administration's Office of Advocacy, in 2012, there were more than 28 million SMBs and, of those, the non-sole proprietor businesses employed approximately 56 million employees. Since the end of the U.S. recession, SMBs generated approximately 60% of net new jobs from mid-2009 through mid-2013.

Small and Medium-Sized Businesses Are Complex and Resource-Constrained

The business processes of SMBs are complex and involve a variety of participants, from employees to a myriad of external clients and vendors. Keeping track of communications and transactions with multiple industry participants has historically been time consuming, and establishing and managing these external relationships often requires a hands-on approach. SMBs must accomplish these tasks with fewer employees and limited financial resources available to invest in additional business infrastructure. SMBs need intuitive software solutions to improve business efficiency and productivity.

Small and Medium-Sized Businesses Still Rely on Manual Processes or a Patchwork of Legacy Software

While business today is increasingly conducted using cloud-based software, many SMBs have not adopted integrated, web-optimized technology solutions to unify and manage their business operations. Many of these companies still use manual processes or work with a variety of disparate systems. SMBs require a fully integrated software solution that meets their specific workflow needs in order to replace time-consuming manual processes and consolidate limited-use point solutions.

Cloud-Based Software Is Particularly Well-Suited to Meet the Needs of Small and Medium-Sized Businesses

Historically, only larger enterprises have had the funding and expertise to purchase and configure software to support their business processes. However, the shift to cloud-based software has made it possible to provide SMBs with access to enterprise-grade solutions with quick deployment and access across multiple devices, typically on a subscription or pay-as-you-go basis. Cloud computing also facilitates continuous software updates to enable technology to be easily adapted to the evolving needs of SMBs.

Mobility and Consumerization of IT Drive Expectations of Small and Medium-Sized Businesses and Their Clients

Technological advances have driven increased adoption of smartphones, tablets and other mobile devices, not only by consumers but also by businesses. In many cases, and particularly for interactions with many SMBs, mobile devices have become the primary platform for conducting business and consuming information. Compared to enterprises, which employ mostly desk-based workers, SMB owners and employees are highly mobile. In addition, increased use by consumers of websites such as Google, and widespread mobile adoption of social media applications such as Facebook and Twitter, have created expectations on the part of the clients of SMBs that consumer-like mobile applications will be available for use in their commercial interactions to facilitate delivery of service anytime, anywhere.

Vertical Cloud-Based Software Delivers Tailored Solutions to Small and Medium-Sized Businesses

While providers of horizontal cloud-based solutions have focused on developing software that can be applied across multiple verticals, vertical cloud-based solution providers have embraced mass customization by

tailoring their applications to address the business needs of specific industries. As a result, vertical cloud-based solution providers have built significant domain expertise and close relationships with their customers, capitalizing on a customer feedback loop to better inform their product roadmaps and go-to-market strategy than their horizontal peers. Vertical cloud-based solution providers are also well-positioned to take advantage of big data analytics by leveraging the data inherent in their customer base to deliver value-added functionality.

Small and Medium-Sized Businesses Are Constantly Evolving and Demand "Living Software"

The needs of SMBs are constantly evolving, and business management software is expected to keep pace by responding rapidly with new functionality. Developers have been able to capitalize on recent technological advances, lower development costs, greater social acceptance of technology and deeper industry knowledge to provide continuous software updates. In turn, technical expertise in software development, including the ability to reduce the time-to-market of a potentially disruptive solution, can assist SMBs to become leaders in their respective industries.

Small and Medium-Sized Businesses Need a Trusted Adviser to Help Navigate Their Digital Transformation

Owners and managers of SMBs have to balance a variety of different functions as part of their jobs. When they are using disparate systems to accomplish their daily tasks, frequently with little to no IT support, their everyday activities can quickly become onerous. SMBs need a strategic partner to outline digital initiatives and the framework within which to bring them into the digital future. Customer service can serve as a key differentiator for cloud-based solution providers by easing the on-boarding process, providing ongoing advice on best practices, and channeling customer feedback into the continuous development of the platform.

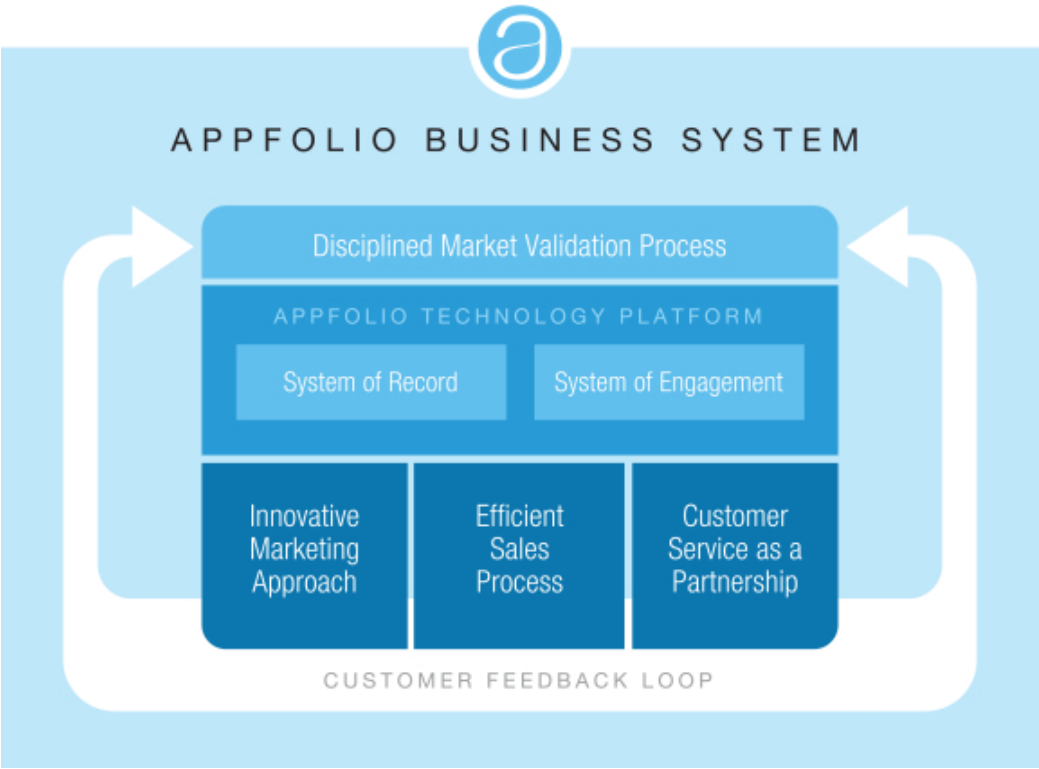
Our Market Opportunity

We believe that the lack of comprehensive, industry-specific, cloud-based software solutions for SMBs in many industries is a significant opportunity for us. According to Parallels, the cloud market for SMBs, which Parallels defines as the aggregate cloud market for infrastructure-as-a-service, web presence, communication and collaboration and business applications, was $62 billion in 2013 and will double by 2016, growing to $125 billion. Additionally, according to Parallels, the U.S. SMB cloud market alone represented $24 billion in 2014 and is estimated to grow to $38 billion in 2017. We currently offer our cloud-based solutions to SMBs in the property management and legal verticals, which represent a portion of the cloud market for SMBs, and believe our AppFolio Business System can be leveraged to develop, market, and sell business management software to SMBs in other industries.

For the property management vertical, based on our internal analysis and industry experience, we estimate the total addressable market in the United States to be at least $5.0 billion for SMBs (which we define as companies with 20 to 3,000 rental units under management, consisting of residential, commercial and homeowner association, or HOA, units). For the legal vertical, based on our internal analysis and industry experience, we estimate the total addressable market in the United States to be at least $2.0 billion for SMBs (which we define as law firms with less than 20 employees). The methodologies and assumptions we used to estimate our total addressable market are discussed in greater detail in the section entitled "Business—Our Market Opportunity."

Our AppFolio Business System

Since our founding, we have established our culture and designed our business to meet the specific needs of SMBs in their particular industries. We refer to our approach to addressing the specific needs of SMBs across our targeted verticals as our AppFolio Business System. Our AppFolio Business System has been explicitly developed to find, evaluate and serve verticals in which we can deliver a transformative, easy-to-use software solution that can handle the key operational requirements of SMBs at a low overall cost of ownership.



Key elements of our AppFolio Business System include:

- ***Disciplined Market Validation Process***. Since our founding, we have worked closely with our customers, partners and other industry participants to inform our product roadmap. We have consistently applied a disciplined market validation process to select and develop new core functionality and Value+ services, and to identify the most suitable adjacent markets and new verticals to target. This approach facilitates faster and more focused product development, with higher confidence that our software solutions will rapidly find market acceptance within our targeted verticals.
- ***AppFolio Technology Platform***. At the center of our AppFolio Business System is our modern, cloud-based technology platform, which encompasses a wide variety of reusable core functionality and Value+ services that can be leveraged to provide continuous updates across our software solutions in our targeted verticals. The functionality of our platform has been developed with a view to improving business efficiency and productivity for SMBs.
- ***Innovative Marketing Approach***. We believe a key element of our AppFolio Business System is efficiently creating and delivering industry-specific content and educating SMBs in our targeted verticals to build our market presence. Our go-to-market strategy across our targeted verticals leverages in-bound marketing techniques, including content marketing, search engine optimization, or SEO, and search engine marketing, or SEM. Our marketing programs, including our participation at customer and industry events, are used by our sales development team to further nurture potential sales leads. We also use in-app messaging to remind existing customers of our Value+ services at natural points in their workflow, making it easy for our customers to increase usage and find out about new Value+ services.

- ***Efficient Sales Process***. Based on the foundation created by our marketing programs and sales development team, we are able to quickly build relationships with potential customers, assess their business challenges and demonstrate the benefits of our core functionality. Following on-boarding of our core solution, our sales team identifies specific Value+ services that enable our customers to further streamline and grow their businesses. Our transparent pricing model is designed to simplify the sales process by pricing subscriptions in a uniform manner based on the size of our customers' businesses.
- ***Customer Service as a Partnership***. Our customer service team partners with our customers to assist them with on-boarding and help ensure they are optimally using our software solution early in their relationship with us. We believe this process is critical to our customers' success and plays an important role in customer retention. We also provide ongoing training and support, and regularly provide advice on best practices. Our customer service is an essential component of our AppFolio Business System, serving to deepen our relationships with our customers, maximize the value of our software solutions for their businesses, and encourage word-of-mouth referrals from satisfied customers.
- ***Customer Feedback Loop***. We are committed to listening to and understanding our customers based on proactive customer dialogue and feedback about our software solutions. This provides valuable insight into the operations of SMBs in our targeted verticals. Our product management team routinely engages with our customer service and sales and marketing organizations, as well as our customers, partners and other industry participants, to provide guidance to our engineering team. Our agile, team-based engineering approach and continual integration of customer feedback allows us to release frequent updates to our software solutions quickly and seamlessly.

These components of our AppFolio Business System strengthen our brands and customer loyalty, resulting in customer promotion and feedback that we leverage in developing, marketing and selling our software solutions across our targeted verticals.

Our Solutions

We provide SMBs with cloud-based business management software solutions that are designed and developed with our customers' industry-specific business needs in mind.

- ***All-in-One System***. Our core solutions have been designed and developed to suit the specific workflows of SMBs in our targeted verticals. We believe that, by focusing on specific industries, we are better able to provide our customers with broad functionality that meets their key business needs and eliminates their need for a myriad of disparate point solutions. Our vision for each vertical software solution includes fully integrated functionality that provides a single system of record to automate routine processes and a system of engagement to optimize business interactions among our customers and their clients and vendors.
- ***Essential Value+ Services***. Our software solutions include optional, but often mission-critical, Value+ services that our customers can adopt to enhance our core solutions. These services range from upfront professional website design to ongoing high-volume transactional services, such as electronic payment services, in addition to industry-specific services, such as resident screening, for our property manager customers.
- ***Modern Cloud-Based Solutions***. We have designed and developed our software solutions on a modern cloud-based platform, allowing for rapid and cost-effective deployment of our enterprise-class software solutions and frequent updates to help ensure our software solutions incorporate the latest technological advances and adapt to industry trends.
- ***Built for Any Device, Anytime, Anywhere***. We recognize that SMBs handle multiple responsibilities that require them to be available 24/7, and they demand flexible software solutions that are compatible

with the laptops, tablets and smartphones they already own to allow them to work at any time and from anywhere. Our software solutions are designed to enable users to move seamlessly from one device to another, to run on multiple operating systems and to launch in a variety of browsers.

- ***User-Friendly Interface***. We invest significant time and resources in streamlining and rationalizing our functionality to enable an intuitive and user-friendly customer experience. Our users are often able to benefit immediately from our software solutions with little to no training. We designed our interface to resemble the social media applications our customers already use, making it easy to transition their businesses to our platform because of a preexisting familiarity.
- ***Ever-Evolving Functionality***. We direct our investment in research and product development based on our market validation findings and customer feedback loop, which inform the development of new core functionality and Value+ services that are directly relevant to our customers' businesses and foster best practices based on deep industry knowledge.
- ***Vertical Data Analytics***. As a vertical cloud-based solution provider, we are uniquely positioned to capture data across our customer base, forming a new source of industry-specific business data. Our customers benefit from data analytics in the form of business performance management through a wide variety of customizable reports and business optimization through aggregated benchmarking data, which provides visibility across their industries.

Benefits of Our Solutions

- ***Benefits to Our SMB Customers***. Our cloud-based business management software solutions enable our customers to eliminate manual processes and collapse a myriad of point solutions into a single system of record and system of engagement, all at a lower cost than an inflexible on-premise software product. Our software solutions facilitate the automation of recurring transactions to improve efficiency, vertical data analytics to provide visibility, and seamless communication, which combine to produce tangible time savings, reduced expenses and increased revenue.
- ***Benefits to Clients of SMBs***. Our software solutions help ensure clients of SMBs experience high quality, professional service, improved responsiveness and easy access to useful information. Clients of SMBs are able to interact with the owners and managers of SMBs through our intuitive, consumer-like interfaces and to complete a variety of tasks online.
- ***Benefits to Vendors of SMBs***. Our software solutions enable vendors of SMBs to streamline transactions with the owners and managers of SMBs by automating processes and facilitating communications.

Our Competitive Strengths

We believe that our significant growth within our targeted verticals is based on the following key competitive strengths:

- ***AppFolio Business System***. We believe that our AppFolio Business System, including our experience in market validation, as well as our consistent, multi-functional approach to using our customers' feedback, serves to differentiate us from our competitors. We strive to develop exceptional cloud-based technology capable of transforming our customers' businesses, and our product management team coordinates closely with our sales and marketing, customer service and engineering teams to continuously update and improve our user experience with new core functionality and Value+ services. By re-using key elements of our platform across our software solutions and leveraging a common business strategy, we can more easily enter adjacent markets and new verticals.

- ***Deep Domain Expertise***. We have developed considerable industry-specific domain expertise within our targeted verticals. Our domain expertise within our targeted verticals allows us to address the unique workflows of our customers and differentiate ourselves from horizontal software competitors. This industry-specific knowledge enables us to offer a broad range of tightly integrated core functionality and Value+ services that would otherwise require the purchase and use of multiple disparate point solutions, such as accounting, payment, customer relationship management and business intelligence software. Our AppFolio Business System, including our disciplined market validation approach and customer feedback loop, positions us to build our industry expertise efficiently as we enter adjacent markets and new verticals.
- ***Focus on Vertical Cloud-Based Solutions for SMBs***. We recognized at the outset that SMBs have software needs and face challenges that are different from those of larger enterprises. We have focused exclusively on creating cost-effective, cloud-based solutions for SMBs, enabling us to create a full customer experience tailored to their unique needs. We believe we can more easily identify prospective customers and adapt our marketing strategies accordingly, resulting in lower customer acquisition costs and faster market penetration. We also utilize data captured across our customer base to deliver innovative new functionality and inform our product roadmap. We believe we can leverage our experience serving SMBs to address similar, fundamental business needs across our targeted verticals.
- ***Customer Obsessed.*** We are intensely focused on customer happiness and success. By thoroughly understanding our customers' needs, we are able to deliver an exceptional customer experience. We continuously monitor customer satisfaction, seek feedback from our customers on our core solutions and Value+ services, and design and develop our offerings to deliver meaningful impact to our customers. Our strong value proposition is validated through our customer reviews and real-time feedback that is published unfiltered on our website.
- ***Predictable Revenue Model***. We employ a business model that produces predictable revenues. We achieve this by charging recurring subscription fees for our core solutions and providing a number of Value+ services that are generally recurring in nature. Our business management software solution is a critical element of the day-to-day operations of our customers, leading to lasting customer relationships. We employ success-based pricing for our software solutions with a view to increasing our revenues over time as our customers' businesses grow and they increasingly adopt Value+ services.
- ***Experienced Management Team***. The members of our senior management team have a proven track record, averaging over 15 years of experience as pioneers in the cloud-based software industry, many of whom have worked together since 1999. This level of expertise enables our management team to effectively manage the challenges associated with building a lasting company.

Our Growth Strategy

Our growth strategy is to provide increasingly valuable cloud-based business management software solutions to SMBs across the specific verticals we choose to target. We have managed, and plan to continue to manage, our business towards the achievement of long-term growth that we believe will positively impact long-term stockholder value, and not towards the realization of short-term financial or business metrics, or short-term stockholder value. Key components of our growth strategy include:

- ***Maintain Product and Technology Leadership***. We have made, and will continue to make, significant investments in research and product development to expand our core functionality and add new Value+ services through our continuous product innovation efforts. We intend to continue using market validation techniques and our close relationships with our customers as a key source of feedback to inform and direct our product roadmap. We may also choose to acquire technologies to accelerate our time-to-market for certain functionality or entry into adjacent markets or new verticals.

- ***Keep Our Existing Customers Happy***. Customer success is essential to our long-term success. We place significant emphasis on customer service to differentiate our software solutions from competing products and this will continue to be a critical component of our business strategy in the future. We do not separately charge our customers for ongoing training and support, which we believe is a key factor in retaining our existing customers and deepening their understanding of our core functionality and Value+ services. We believe that maintaining our focus on customer satisfaction will drive greater adoption and utilization of our software solutions, including through referrals from existing customers to potential new customers within our targeted verticals.
- ***Expand Adoption and Use by Existing Customers***. We intend to expand our core functionality and add new Value+ services to meet the evolving needs and requirements of our customers. We believe that, as our customers save time and money using our software solutions, they will have the opportunity to invest newly available resources to grow their businesses. As our customers grow, we expect they will use our technology to manage their larger businesses on our platform and increasingly adopt and use additional Value+ services.
- ***Target New Customers***. We plan to grow our customer base through our sophisticated sales and marketing programs, including industry thought leadership and education, and the referral power of satisfied customers promoting our software solutions within our targeted verticals. We believe that the market for cloud-based business management software is large and underserved both within the industries in which we currently operate and the broader SMB market. We believe that our prominent online presence and efficient sales and marketing infrastructure will continue to attract new customers in our targeted verticals.
- ***Enter New Adjacent Markets***. We currently participate in a number of markets within our existing verticals and are constantly evaluating adjacent markets based on our deliberate market validation strategy and customer feedback. We believe that, while we are continuously developing our software solution within one market, we can apply the product enhancements and learnings from that market as we extend our platform into each successive adjacent market.
- ***Expand into New Verticals***. We consistently review potential opportunities to expand into additional verticals. We plan to enforce a disciplined approach to growth by using market validation techniques to assess the scope and nature of business challenges faced by SMBs in any potential new vertical, their likelihood of purchasing a cloud-based solution to solve their problems and their potential spend on such solutions. Any new vertical will also need to fit within our proven business strategy, including our management team's assessment of available alternatives, such as the number and size of potential adjacent market opportunities, and the relative risk and return of these opportunities.

Risks Associated with Our Business

Our business is subject to numerous risks and uncertainties of which you should be aware before you decide to invest in our Class A common stock. These risks may prevent us from achieving our business objectives, and may materially and adversely affect our business, financial condition, results of operations and prospects. These risks are discussed in greater detail in the section entitled "Risk Factors" immediately following this prospectus summary. Some of these risks are:

- If we are unable to enter new verticals, or if our software solution for any new vertical fails to achieve market acceptance, our operating results could be adversely affected and we may be required to reconsider our growth strategy;
- We have a limited operating history and have incurred significant operating losses. As a result of continuing investments across our organization to grow our business, we do not expect to be profitable for the foreseeable future;

- We manage our business towards the achievement of long-term growth that we believe will positively impact long-term stockholder value, and not towards the realization of short-term financial or business metrics, or short-term stockholder value;
- Actual or perceived security vulnerabilities in our software solutions, breaches of our security controls, or other unauthorized access to our customers' data could reduce market acceptance of our software solutions and cause us to lose customers;
- Service outages and other performance problems associated with our technology infrastructure or software solutions could harm our reputation;
- We face a number of risks in our payment processing business that could adversely affect our operating results;
- Our quarterly results may fluctuate significantly and period-to-period comparisons of our results may not be meaningful;
- Business management software for SMBs is a relatively new and developing market and, if the market develops more slowly than we expect or declines, our operating results could be adversely affected;
- If we are unable to introduce successful enhancements, including new and innovative core functionality and Value+ services for our existing verticals, or new products for adjacent markets and additional verticals, our business could be adversely affected;
- Our business depends on existing customers renewing their subscriptions with us and expanding their use of our Value+ services, and a decline in customer renewal rates, or failure to convince existing customers to adopt and utilize our Value+ services, would harm our operating results; and
- The dual class structure of our common stock has the effect of concentrating voting control with those stockholders who held our capital stock prior to the completion of this offering, including our executive officers, directors and principal stockholders, which will limit your ability to influence corporate matters. The holders of our outstanding Class B common stock will hold approximately % of the combined voting power of our outstanding capital stock following this offering.

Corporate Information

We were formed in 2006 as a Delaware limited liability company and converted to a Delaware corporation in 2007. Our principal executive offices are located at 50 Castilian Drive, Goleta, California 93117, and our telephone number is (805) 617-2167. Our website is www.appfolioinc.com. The information contained on or accessed through our website does not constitute part of this prospectus, and you should not consider information contained on or accessed through our website in deciding whether to invest in our Class A common stock. References to our website address in this prospectus are inactive textual references only.

"AppFolio," "MyCase," the AppFolio logo, the MyCase logo, and other trademarks and trade names of AppFolio and MyCase appearing in this prospectus are our property. All other trademarks or trade names appearing in this prospectus are the property of their respective owners. Solely for convenience, the trademarks and trade names in this prospectus are referred to without the ® and ™ symbols. We do not intend our use or display of the trademarks, trade names or service marks of other parties to imply a relationship with, or endorsement or sponsorship of us by, such other parties.

Reverse Stock Split

On June 4, 2015, we effected a one-for-four reverse split of our existing common stock and a proportional adjustment to the conversion ratio of our convertible preferred stock. All references to common stock, options to purchase common stock, restricted stock, share data, per share data, and related information have been retroactively adjusted, where applicable, in this prospectus to reflect the reverse stock split as if it had occurred at the beginning of the earliest period presented.

Implications of Being an Emerging Growth Company

We qualify as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of specified reduced reporting requirements and may be relieved of other significant requirements that are otherwise generally applicable to public companies. These provisions include:

- an exemption from compliance with the auditor attestation requirement on the effectiveness of our internal control over financial reporting;
- an exemption from compliance with any requirement that the Public Company Accounting Oversight Board may adopt regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements;
- reduced disclosure about our executive compensation arrangements; and
- exemptions from the requirements to obtain a non-binding advisory vote on executive compensation or stockholder approval of any golden parachute arrangements.

We will remain an emerging growth company until the earliest to occur of:

- the last day of the fiscal year in which our annual gross revenue is $1.0 billion or more;
- the day we qualify as a "large accelerated filer" under applicable SEC rules and regulations;
- the issuance, in any three-year period, by us of more than $1.0 billion in non-convertible debt securities; and
- the last day of the fiscal year ending after the fifth anniversary of the completion of this offering.

We have irrevocably elected to opt out of the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act. However, we intend to take advantage of the other exemptions discussed above. Accordingly, the information contained in this prospectus may be different from the information you receive from other public companies in which you have invested.

THE OFFERING

Class A common stock offered by us	shares
Class A common stock to be outstanding immediately after this offering	shares
Class B common stock to be outstanding immediately after this offering	shares
Total Class A common stock and Class B common stock to be outstanding immediately after this offering	shares
Option to purchase additional shares of our Class A common stock	The underwriters have an option to purchase up to an additional shares of our Class A common stock from us. The underwriters can exercise this option at any time within 30 days from the date of this prospectus.
Use of proceeds	We estimate that we will receive net proceeds from this offering of $ million, or $ million if the underwriters exercise in full their option to purchase additional shares of our Class A common stock, assuming an initial public offering price of $ per share, which is the midpoint of the price range on the cover page of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. The principal purposes of this offering are to obtain additional capital, enhance our financial flexibility, increase our visibility in the marketplace and create a public market for our Class A common stock. We intend to use the net proceeds from this offering primarily (i) to expand research and product development, customer service, and sales and marketing, including hiring new personnel across our organization, (ii) to maintain and expand our technology infrastructure and operational support, and (iii) for general corporate and working capital purposes. We also intend to repay $10.0 million of the indebtedness outstanding under our credit facility with Wells Fargo Bank, N.A. In addition, we may in the future enter into arrangements to acquire or invest in complementary businesses, services, technologies or intellectual property rights. However, we have no agreements or commitments with respect to any such acquisitions or investments at this time. See the section entitled “Use of Proceeds” for additional information.

Voting rights	Shares of our Class A common stock are entitled to one vote per share. Shares of our Class B common stock are entitled to 10 votes per share. Holders of our Class A common stock and Class B common stock will vote together as a single class, unless otherwise required by law or our amended and restated certificate of incorporation. The holders of our outstanding Class B common stock, which include our executive officers, directors and principal stockholders, will hold approximately % of the combined voting power of our outstanding capital stock following this offering and will have the ability to control the outcome of matters submitted to our stockholders for approval, including the election of our directors and the approval of any change-in-control transaction. See the sections entitled “Principal Stockholders” and “Description of Capital Stock” for additional information.
Directed share program	At our request, the underwriters have reserved up to 5% of the number of shares of our Class A common stock offered by us, as set forth on the cover page of this prospectus, for sale, at the initial public offering price, to our directors, director nominees, officers and certain employees and other parties with a connection to us. The sales will be made by Morgan Stanley & Co. LLC, an underwriter of this offering, through a directed share program. We do not know if these individuals will choose to purchase all or any portion of these reserved shares, but any purchases they do make will reduce the number of shares that are available to the general public. Any reserved shares that are not so purchased will be offered by the underwriters to the general public on the same terms as the other shares of our Class A common stock offered by us.
Risk factors	Investing in our Class A common stock involves risks. See the section entitled “Risk Factors” for a discussion of factors you should carefully consider before deciding to invest in our Class A common stock.
Proposed NASDAQ symbol	“APPF”

Certain entities associated with our existing stockholders, including entities affiliated with Investment Group of Santa Barbara, or IGSB, which is one of our principal stockholders and an affiliate of one of our directors and one of our director nominees, have indicated an interest in purchasing up to $25 million of shares of our Class A common stock in this offering, at the initial public offering price. Because these indications of interest are not binding agreements or commitments to purchase, such entities may elect to purchase more or fewer shares than they indicate an interest in purchasing or not to purchase any shares in this offering. In addition, the underwriters may elect to sell more or fewer shares or not to sell any shares in this offering to such entities. The underwriters will receive the same discount from any shares sold to such entities as they will from any other shares sold to the public in this offering.

Prior to the completion of this offering, our amended and restated certificate of incorporation will provide for two classes of common stock: Class A common stock and Class B common stock. All shares of our existing common stock and convertible preferred stock outstanding prior to the completion of this offering will be converted and reclassified into shares of our Class B common stock. In addition, all options to purchase shares of our common stock outstanding prior to the completion of this offering will become exercisable for shares of our Class B common stock. Throughout this prospectus, we refer to our common stock outstanding prior to the completion of this offering as our existing common stock.

The total number of shares of our Class A common stock and Class B common stock to be outstanding immediately after this offering, after giving effect to the conversion and reclassification of all outstanding shares of our existing common stock and convertible preferred stock into shares of our Class B common stock in connection with this offering, is based upon no shares of our Class A common stock and 26,123,910 shares of our Class B common stock outstanding as of March 31, 2015, and excludes:

- 1,319,804 shares of our Class B common stock issuable upon the exercise of outstanding options to purchase shares of our Class B common stock under our 2007 Stock Incentive Plan, or the 2007 Plan, as of March 31, 2015, at a weighted average exercise price of $3.51 per share;
- 2,000,000 shares of our Class A common stock reserved for future issuance under our 2015 Stock Incentive Plan, or the 2015 Plan, which will become effective on the day immediately prior to the effective date of the registration statement of which this prospectus is a part; and
- 500,000 shares of our Class A common stock reserved for future issuance under our 2015 Employee Stock Purchase Plan, or the ESPP, which will become effective on the day immediately prior to the effective date of the registration statement of which this prospectus is a part.

The 2015 Plan and the ESPP each provide for automatic annual increases in the number of shares reserved thereunder. We have determined not to make any further awards under the 2007 Plan upon completion of this offering. See the section entitled “Executive Compensation—Stock Incentive Plans” for additional information.

Except as otherwise indicated, the information in this prospectus assumes:

- a one-for-four reverse split of our existing common stock and a proportional adjustment to the conversion ratio of our convertible preferred stock, which became effective on June 4, 2015;
- the filing and effectiveness of our amended and restated certificate of incorporation, and the effectiveness of our amended and restated bylaws, each of which will occur prior to the completion of this offering;
- the reclassification of all outstanding shares of our existing common stock into an equivalent number of shares of our Class B common stock, which will occur prior to the completion of this offering;
- the conversion and reclassification of all outstanding shares of our convertible preferred stock into an aggregate of 17,006,679 shares of our Class B common stock, which will occur prior to the completion of this offering; and
- no exercise of the underwriters’ option to purchase up to an additional shares of our Class A common stock.

SUMMARY CONSOLIDATED FINANCIAL DATA

The following tables summarize our historical consolidated financial data for the periods indicated. We have derived the summary consolidated statements of operations data for the fiscal years ended December 31, 2013 and 2014 and the summary consolidated balance sheet data as of December 31, 2013 and 2014 from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the summary consolidated statements of operations data for the fiscal year ended December 31, 2012 and the summary consolidated balance sheet data as of December 31, 2012 from our audited consolidated financial statements, which are not included in this prospectus. We have derived the summary consolidated statements of operations data for the three months ended March 31, 2014 and 2015 and the summary consolidated balance sheet data as of March 31, 2015 from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. Our unaudited interim condensed consolidated financial statements were prepared on a basis consistent with that used to prepare our audited annual consolidated financial statements and include, in the opinion of management, all adjustments, consisting of normal and recurring items, necessary for the fair statement of the condensed consolidated financial statements. Our historical results are not necessarily indicative of the results we expect in the future, and our interim results are not necessarily indicative of the results to be expected for the full year or any other period.

The following summary consolidated financial data should be read in conjunction with, and are qualified in their entirety by reference to, the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	Year Ended December 31,			Three Months Ended March 31,	
	2012	2013	2014	2014	2015
	(in thousands, except per share data)				
Consolidated Statements of Operations Data:					
Revenue	$ 12,706	$26,542	$47,671	$ 9,834	$15,848
Costs and operating expenses:					
Cost of revenue (exclusive of depreciation and amortization)(1)	8,211	13,616	22,555	4,686	7,065
Sales and marketing(1)	8,001	10,337	16,876	3,490	5,709
Research and product development(1)	4,067	5,057	6,505	1,145	2,009
General and administrative(1)	2,736	2,286	6,489	899	3,392
Depreciation and amortization	2,079	2,850	3,805	817	1,183
Total costs and operating expenses	25,094	34,146	56,230	11,037	19,358
Operating loss	(12,388)	(7,604)	(8,559)	(1,203)	(3,510)
Other income (expense), net	—	287	(121)	(68)	(2)
Interest income (expense), net	72	12	59	26	(32)
Loss before income taxes	(12,316)	(7,305)	(8,621)	(1,245)	(3,544)
Provision for income taxes	—	—	—	—	74
Net loss	$ (12,316)	$ (7,305)	$ (8,621)	$ (1,245)	$ (3,618)
Net loss per share, basic and diluted(2)	$ (1.52)	$ (0.87)	$ (0.98)	$ (0.14)	$ (0.41)
Weighted average common shares outstanding, basic and diluted	8,104	8,437	8,757	8,603	8,913
Pro forma net loss per share, basic and diluted (unaudited)(2)			$ (0.33)		$ (0.14)
Pro forma weighted average common shares, basic and diluted (unaudited)			25,764		25,920

(1) Includes stock-based compensation expense as follows (in thousands):

	Year Ended December 31,			Three Months Ended March 31,	
	2012	2013	2014	2014	2015
Cost of revenue (exclusive of depreciation and amortization)	$ 49	$ 63	$ 68	$ 16	$ 24
Sales and marketing	41	39	48	10	23
Research and product development	48	49	19	7	5
General and administrative	110	96	757	16	81
Total stock-based compensation expense	$ 248	$ 247	$ 892	$ 49	$ 133

(2) See Note 2 of the notes to our consolidated financial statements and our condensed consolidated financial statements for an explanation of the basic and diluted net loss per share of our common stock, and the pro forma basic and diluted net loss per share.

	As of December 31,			As of March 31, 2015		
	2012	2013	2014	Actual	Pro Forma(1)	Pro Forma As Adjusted(2)
				(in thousands)		
Consolidated Balance Sheet Data:						
Cash and cash equivalents	$ 3,943	$ 11,269	$ 5,412	$ 12,034	$ 12,034	$
Total assets	22,109	27,707	25,434	36,014	36,014	
Deferred revenue	2,289	2,943	3,780	4,235	4,235	
Convertible preferred stock	51,288	63,166	63,166	63,166	—	
Total stockholders' (deficit) equity	(36,984)	(43,959)	(51,467)	(54,853)	8,313	

(1) The pro forma column gives effect to the filing and effectiveness of our amended and restated certificate of incorporation and the conversion and reclassification of all outstanding shares of our existing common stock and convertible preferred stock into an aggregate of 26,123,910 shares of our Class B common stock, as if such filing, effectiveness, conversion and reclassification had occurred on March 31, 2015.

(2) The pro forma as adjusted column gives effect to (i) the pro forma adjustments set forth above, (ii) the issuance and sale by us of shares of our Class A common stock in this offering, and the receipt of the net proceeds from our sale of these shares at an assumed initial public offering price of $ per share, which is the midpoint of the price range on the cover page of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, and (iii) the repayment of $10.0 million of the indebtedness outstanding under our credit facility and a 2% prepayment premium, as described in the section entitled "Use of Proceeds." A $1.00 increase (decrease) in the assumed public offering price of $ per share would increase (decrease) our pro forma as adjusted cash and cash equivalents, total assets and stockholders' (deficit) equity by approximately $ million, assuming the number of shares of Class A common stock offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

RISK FACTORS

An investment in our Class A common stock involves risks. You should carefully consider the risks and uncertainties described below, together with all of the other information included in this prospectus, including our consolidated financial statements and the related notes included elsewhere in this prospectus, before investing in our Class A common stock. If any of the following risks are realized, our business, financial condition, operating results and prospects could be materially and adversely affected. In that case, the trading price of our Class A common stock may decline, and you may lose all or part of your investment.

Risks Related to Our Business and Our Industry

If we are unable to enter new verticals, or if our software solution for any new vertical fails to achieve market acceptance, our operating results could be adversely affected and we may be required to reconsider our growth strategy.

Our growth strategy is dependent, in part, on leveraging our AppFolio Business System, including our common technology platform, to expand into new verticals. However, we may be unable to identify new verticals that meet our criteria for selecting industries that cloud-based solutions are ideally suited to address. In addition, our market validation process may not support entry into selected verticals due to our perception of the overall market opportunity or of the willingness of market participants within those verticals to adopt our software solutions. Further, we may prefer to pursue alternative growth strategies, such as entry into markets that are adjacent to the markets in which we currently participate within our existing verticals.

Even if we choose to enter new verticals, our market validation process does not guarantee our success in any particular vertical. We may be unable to develop a software solution for a new vertical in time to take advantage of the identified market opportunity, and any delay in our time-to-market could expose us to additional competition or other factors that could impede our success. In addition, any software solution we develop for a new vertical may not provide the functionality required by potential customers and, as a result, may not achieve widespread market acceptance within the new vertical. To the extent we choose to enter new verticals, we may invest significant resources to develop and expand the functionality of our software solutions to meet the needs of customers in those verticals, which investments will occur in advance of our realization of revenue from them. If we elect not to enter new verticals in the future, or if we choose to enter new verticals and do so without achieving market acceptance for our software solutions, our reputation could be harmed, our operating results could be adversely affected, and we may be required to reconsider our growth strategy.

In addition, while we expedited our entry into the legal vertical through the acquisition of MyCase, Inc., or MyCase, in 2012, our practice and case management solution is in an earlier stage of development than APM, our property management solution, and we are in the process of expanding the core functionality and Value+ services associated with our legal software. We face significant competition in the legal market from both vertical software vendors and cloud-based solution providers that offer one or more point solutions. There can be no assurance that we will be able to achieve market acceptance for our legal software at or near the levels achieved by our property management software. The success of our vertical market strategy depends, in part, on our ability to continue to significantly increase the number of our law firm customers and the revenue derived from them, and our failure to achieve these objectives could have an adverse impact on our operating results.

We have a limited operating history and have incurred significant operating losses. As a result of continuing investments across our organization to grow our business, we do not expect to be profitable for the foreseeable future.

We were formed in 2006 and launched our first product, APM, in 2008. We expedited our entry into the legal vertical through the acquisition of MyCase in 2012. As a result, we have a limited operating history and limited experience selling our software solutions, especially within the legal vertical. These and other factors

combine to make it more difficult for us to accurately forecast our future operating results, which in turn makes it more difficult for us to prepare accurate budgets and implement strategic plans. We expect that this uncertainty will continue to exist in our business for the foreseeable future, and will be exacerbated to the extent we introduce new functionality, or enter adjacent markets or new verticals.

We have incurred net losses in each fiscal period since our formation. We incurred net losses of $7.3 million, $8.6 million, $1.2 million and $3.6 million for the years ended December 31, 2013 and 2014, and for the three months ended March 31, 2014 and 2015, respectively. As of December 31, 2014 and March 31, 2015, we had an accumulated deficit of $53.0 million and $56.6 million, respectively. These losses and this accumulated deficit reflect the substantial investments we have made across our organization to develop our software solutions and capitalize on our market opportunity. In order to implement our business strategy, we intend to continue to make substantial investments in, among other things:

- our research and product development organization to enhance the ease of use and functionality of our software solutions by adding new core functionality, Value+ services and other improvements to address the evolving needs of our customers, as well as to develop new products for adjacent markets and new verticals;
- our customer service organization to deepen our relationships with our customers, assist our customers in achieving success through the use of our software solutions, and promote customer retention;
- our sales and marketing organization, including expansion of our direct sales organization and marketing programs, to increase the size of our customer base, increase adoption and utilization of Value+ services by our new and existing customers, and enter adjacent markets and new verticals;
- maintaining and expanding our technology infrastructure and operational support, including data center operations, to promote the security and availability of our software solutions, and support our growth; and
- our general and administrative functions, including hiring additional finance, IT, human resources and administrative personnel, to support our growth and assist us in achieving and maintaining compliance with public company reporting and compliance obligations.

As a result of our continuing investments to grow our business in these and other areas, we expect our expenses to increase significantly, and we do not expect to be profitable for the foreseeable future. Even if we are successful in increasing our customer base, and increasing revenue from new and existing customers, we may not be able to generate additional revenue in amounts that are sufficient to cover our expenses. We may incur significant losses in a particular period for a number of reasons, including as a result of the other risks and uncertainties described elsewhere in this prospectus. We cannot assure you that we will achieve profitability in the future or that, if we do become profitable, we will sustain profitability over any particular period of time. Any additional operating losses will have a negative impact on our stockholders' deficit.

We manage our business towards the achievement of long-term growth, which may not be consistent with the short-term expectations of some investors, and may cause significant fluctuations in our quarterly results.

As a private company, we have concentrated on the long term, and that has served us well. As a public company, this will not change. If opportunities arise that might cause us to sacrifice our performance with respect to short-term financial or business metrics, but that we believe are in the best interests of our stockholders, we will take those opportunities. We plan to continue to manage our business towards the achievement of long-term growth that we believe will positively impact long-term stockholder value, and not towards the realization of short-term financial or business metrics, or short-term stockholder value.

We focus on growing our customer base by launching new and innovative core functionality and Value+ services to address our customers' evolving business needs, developing new products for adjacent markets and additional verticals, and improving the experience of our users across our targeted verticals. We prioritize product innovation and user experience over short-term financial or business metrics. We will make product

decisions that reduce our short-term operating results if we believe that these decisions are consistent with our strategic objective to achieve long-term growth. These decisions may not be consistent with the short-term expectations of some investors, and may cause significant fluctuations in our operating results from period to period. In addition, notwithstanding our intention to make strategic decisions that positively impact long-term stockholder value, the decisions we make may not produce the long-term benefits we expect.

Following this offering, our executive officers, directors and principal stockholders will control a majority of the combined voting power of our outstanding capital stock. As a result, they will be able to continue to exercise significant influence and control over the establishment and implementation of our future business plans and strategic objectives, as well as control all matters submitted to our stockholders for approval. These persons may manage our business in ways with which you disagree and which may be adverse to your interests.

Actual or perceived security vulnerabilities in our software solutions, breaches of our security controls or other unauthorized access to our customers' data could reduce market acceptance of our software solutions and cause us to lose customers.

In providing our software solutions, we store and transmit large amounts of our customers' data, including sensitive and proprietary data. Our software solutions are typically the system of record and system of engagement for all or a portion of our customers' businesses, and the data processed through our software solutions is critical to their businesses. Cyber-attacks and other malicious Internet-based activity continue to increase in frequency and magnitude as evidenced by the recent targeting of a number of media and technology companies. As our business grows, the number of users of our software solutions, as well as the amount of information we store, is increasing, and our brands are becoming more widely recognized. We believe these factors combine to elevate the risk that we will become a target for this type of malicious activity. Techniques used to sabotage, or to obtain unauthorized access to, systems or networks change frequently and generally are not recognized until launched against a target. Therefore, we may be unable to anticipate these techniques, react in a timely manner, or implement adequate preventive measures. In addition, some of our third-party partners also collect information from transactions with our customers, and these third parties are subject to similar threats of cyber-attacks and other malicious Internet-based activity.

If our security measures, or the security measures of our third-party partners, are breached as a result of negligence, wrongdoing or malicious activity on the part of our employees, our partners' employees or our customers' employees, or as a result of any error, product defect or otherwise, and this results in the disruption of the confidentiality, availability or integrity of our customers' data, we could incur liability to our customers and to individuals or organizations whose information was being stored by our customers, as well as fines from payment processing networks, and regulatory action by governmental bodies. If we experience a widespread security breach, we cannot be certain that our insurance coverage will be sufficient to compensate us for liabilities actually incurred or that insurance will continue to be available to us on reasonable terms, or at all. In addition, any breaches of our security controls or other unauthorized access to our customers' data could result in reputational damage, adversely affect our ability to attract new customers and cause existing customers to reduce or discontinue the use of our software solutions, all of which could harm our business and operating results. Furthermore, the perception by our current or potential customers that our software solutions could be vulnerable to security breaches, even in the absence of a particular problem or threat, could reduce market acceptance of our software solutions and cause us to lose customers.

Service outages and other performance problems associated with our technology infrastructure could harm our reputation.

We have experienced significant growth in the number of users and the amount of data that our technology infrastructure supports, and we expect this growth to continue. We seek to maintain sufficient excess capacity in our technology infrastructure to meet the needs of all of our customers, including to facilitate the expansion of existing customer deployments and the provisioning of new customer deployments. In addition, we need to

properly manage our technology infrastructure in order to support version control, changes in hardware and software parameters, and the evolution of our software solutions. However, the provision of new hosting infrastructure requires significant lead-time.

We have experienced, and may in the future experience, website disruptions, service outages and other performance problems with our technology infrastructure. These problems may be caused by a variety of factors, including infrastructure changes, power or network outages, fire, flood or other natural disasters affecting our data centers, human or software errors, viruses, security breaches, fraud or other malicious activity, spikes in customer usage and denial of service issues. In some instances, we may not be able to identify the cause or causes of these service outages and performance problems within an acceptable period of time. If our technology infrastructure fails to keep pace with the increased number of users and amount of data, or if we are unable to avoid service outages and performance problems, or to resolve them quickly, it could adversely affect our ability to attract new customers, result in the loss of existing customers and harm our reputation, all of which could adversely affect our business and operating results.

Errors, defects or other disruptions in our software solutions could harm our reputation and result in significant expenditures to correct the problem.

Our customers use our software solutions to manage critical aspects of their businesses, and any errors, defects or other disruptions in the performance of our software solutions may result in loss of or damage to our customers' data and disruption to our customers' businesses, which could harm our reputation. We provide continuous updates to our software solutions and, while our software updates undergo extensive testing prior to their release, these updates may contain undetected errors when first introduced. In the past, we have discovered errors, failures, vulnerabilities and bugs in our software updates after they have been released, and similar problems may arise in the future. Real or perceived errors, failures, vulnerabilities or bugs in our software solutions could result in negative publicity, loss of customers, delay in market acceptance of our software solutions, loss of competitive position, withholding or delay of payment to us, claims by customers for losses sustained by them and potential litigation. In any such event, we may be required to expend additional resources in order to help correct the problem or, in order to address customer service or reputational concerns, we may choose to expend additional resources to take corrective action even where not required. The costs incurred in correcting any material errors, defects or other disruptions could be substantial and there may not be any corresponding increase in revenue to offset these costs. In addition, we may not carry insurance sufficient to compensate us for any losses that may result from claims arising from errors, defects or other disruptions in our software solutions.

We face a number of risks in our payment processing business that could adversely affect our operating results.

In connection with our electronic payment services, we process payments and subsequently submit these payments to our customers after varying clearing times established by us. These payments are settled through our sponsoring clearing bank and, in the case of electronic funds transfers, or EFT, through our Originating Depository Financial Institutions, or ODFIs, pursuant to agreements with one or more national banking institutions that we may contract with from time to time. Our electronic payment services subjects us to a number of risks, including, but not limited to:

- liability for customer costs related to disputed or fraudulent transactions if those costs exceed the amount of the customer reserves we have during the clearing period or after payments have been settled to our customers;
- electronic processing limits on the amounts that any single ODFI, or collectively all of our ODFIs, will underwrite;
- reliance on sponsoring clearing banks, card payment processors and other electronic payment partners to process electronic transactions;

- failure by us or our partners to adhere to applicable laws, regulations and standards that may legally or contractually apply to the provision of electronic payment services;
- continually evolving and developing laws and regulations governing money transmission and anti-money laundering, the application or interpretation of which is not clear in some jurisdictions;
- incidences of fraud, a security breach, an error, defect, failure, vulnerability or bug in our electronic payments platform, or our failure to comply with required external audit standards; and
- our inability to increase our fees at times when our electronic payment partners increase their transaction processing fees.

If any of these risks related to our electronic payment services were to materialize, our business or operating results could be negatively affected. Although we attempt to structure and adapt our electronic payment services to comply with complex and evolving laws, regulations and standards, our efforts do not guarantee compliance. In the event that we are found to be in violation of our legal or contractual requirements, we may be subject to monetary fines or penalties, cease and desist orders, mandatory product changes, or other liabilities that could have an adverse effect on our operating results.

Additionally, with respect to the processing of EFTs, we are exposed to financial risk. EFTs between our customer and another user may be returned for various reasons such as insufficient funds or stop payment orders. These returns are charged back to the customer by us. However, if we or our sponsoring clearing bank is unable to collect such amounts from the customer's account or if the customer refuses or is unable to reimburse us for the chargeback, we bear the risk of loss for the amount of the transfer. While we have not experienced material losses resulting from chargebacks in the past, there can be no assurance that we will not experience significant losses from chargebacks in the future.

Evolution and expansion of our electronic payment services may subject us to additional risks and regulatory requirements.

The evolution and expansion of our electronic payment services may subject us to additional risks and regulatory requirements, including laws and regulations governing money transmission and anti-money laundering. These requirements vary throughout the markets in which we operate, and several jurisdictions lack clarity in the application and interpretation of these rules. Our efforts to comply with these rules could require significant management time and effort, as well as significant expenditures, and will not guarantee our compliance with all regulatory requirements, especially given that the applicable regulatory frameworks are constantly changing and subject to evolving interpretation. While we maintain a compliance program focused on applicable laws and regulations throughout our applicable industries, there is no guarantee that we will not be subject to fines, penalties or other regulatory actions in one or more jurisdictions, or be required to adjust our business practices to accommodate future regulatory requirements.

Our quarterly results may fluctuate significantly and period-to-period comparisons of our results may not be meaningful.

Our quarterly results, including the levels of our revenue, costs and operating expenses, and operating margins, may fluctuate significantly in the future, and period-to-period comparisons of our results may not be meaningful. Accordingly, the results of any one quarter should not be relied upon as an indication of our future performance. In addition, our quarterly results may not fully reflect the underlying performance of our business.

Factors that may cause fluctuations in our quarterly results include, but are not limited to:

- our ability to retain our existing customers, and to expand adoption and utilization of our core solutions and Value+ services by our existing customers;

- our ability to attract new customers, the type of customers we are able to attract, the size and needs of their businesses, and the cost of acquiring these new customers;
- our ability to convert customers who start their accounts on a free trial into paying subscribers;
- the mix of our core solutions and Value+ services sold during the period;
- variations in the timing of sales of our core solutions and Value+ services as a result of trends impacting the verticals in which we sell our software solutions;
- the timing and market acceptance of new core functionality, Value+ services and other products introduced by us and our competitors;
- changes in our pricing policies or those of our competitors;
- the timing of our recognition of revenue;
- the amount and timing of costs and operating expenses related to the maintenance and expansion of our business, infrastructure and operations;
- the amount and timing of costs and operating expenses associated with assessing or entering adjacent markets or new verticals;
- the amount and timing of costs and operating expenses related to the development or acquisition of businesses, services, technologies or intellectual property rights, and potential future charges for impairment of goodwill from these acquisitions;
- the timing and impact of security breaches, service outages or other performance problems with our technology infrastructure and software solutions;
- the timing and costs associated with legal or regulatory actions;
- changes in the competitive dynamics of our industry, including consolidation among competitors, strategic partners or customers;
- loss of our executive officers or other key employees;
- industry conditions and trends that are specific to the verticals in which we sell or intend to sell our software solutions; and
- general economic and market conditions.

Fluctuations in quarterly results may negatively impact the value of our Class A common stock, regardless of whether they impact or reflect the overall performance of our business. If our quarterly results fall below the expectations of investors or any securities analysts who follow our stock, or below any guidance we may provide, the price of our Class A common stock could decline substantially.

Business management software for SMBs is a relatively new and developing market and, if the market develops more slowly than we expect or declines, our operating results could be adversely affected.

We currently provide cloud-based business management software for SMBs in the property management and legal industries and, as part of our business strategy, we will assess entry into new verticals. While the overall market for cloud-based business management software is rapidly growing, it is not as mature as the market for legacy on-premise software applications. In addition, when compared to larger enterprises, SMBs have not historically purchased enterprise resource planning or other enterprise-wide software systems to manage their businesses due to the cost and complexity of implementing such systems, which generally did not address their industry-specific needs. Furthermore, a number of widely adopted cloud-based solutions have not traditionally targeted SMBs. As a result, many SMBs still run their businesses using manual processes and

disparate software systems that are not web-optimized, while others may have invested substantial resources to integrate a variety of point solutions into their organizations to address one or more specific business needs and, therefore, may be reluctant to migrate to a vertical cloud-based solution designed to apply to their entire business. Because we derive, and expect to continue to derive, substantially all of our revenue from sales of our cloud-based business management software to SMBs in our targeted verticals, our success will depend, to a substantial extent, on the widespread adoption by SMBs in these verticals of cloud computing in general and of cloud-based business management software in particular.

The market for industry-specific, cloud-based business management software for SMBs, both generally, and specifically within the property management and legal industries, is evolving and, in comparison to the overall market for cloud-based solutions, is relatively small. The continued expansion of this market depends on numerous factors, including:

- the cost and perceived value associated with cloud-based business management software relative to on-premise software applications and disparate point solutions;
- the ability of cloud-based solution providers to offer SMBs the functionality they need to operate and grow their businesses;
- the willingness of SMBs to transition from their existing software systems, or otherwise alter their existing businesses practices, to migrate their businesses to a vertical cloud-based business management software solution; and
- the ability of cloud-based solution providers to address security, privacy, availability and other concerns.

If cloud-based business management software does not achieve widespread market acceptance among SMBs, our revenue may increase at a slower rate than we expect and may even decline, which could adversely affect our operating results. In addition, it is difficult to estimate the rate at which SMBs will be willing to transition to vertical cloud-based business management software in any particular period, which makes it difficult to estimate the overall size and growth rate of the market for cloud-based business management software for SMBs at any given point in time or to forecast growth in our revenue or market share.

Our estimates of market opportunity are subject to significant uncertainty and, even if the markets in which we compete meet or exceed our size estimates, we could fail to increase our revenue or market share.

Market opportunity estimates are subject to significant uncertainty and are based on assumptions and estimates, including our internal analysis and industry experience. Assessing the market for industry-specific, cloud-based business management software for SMBs is particularly difficult due to a number of factors, including limited available information and rapid evolution of the market. If we had made different assumptions or estimates, our estimates of market opportunity could have been materially different.

In addition, even if the markets in which we compete meet or exceed the size estimates in this prospectus, our business could fail to grow in line with our forecasts, or at all, and we could fail to increase our revenue or market share. Our growth, and our ability to serve a significant portion of our target markets, will depend on many factors, including our success in executing our business strategy, which is subject to many risks and uncertainties, including the other risks and uncertainties described elsewhere in this prospectus. Accordingly, estimates of market opportunity in this prospectus should not be taken as indicative of our future growth.

If we are unable to introduce successful enhancements, including new and innovative core functionality and Value+ services for our existing verticals, or new products for adjacent markets or additional verticals, our business could be adversely affected.

The software industry in general, and in our targeted verticals in particular, is characterized by rapid technological advances, changing industry standards, evolving customer requirements and intense competition. Our ability to attract new customers, increase revenue from our existing customers, and expand into adjacent markets depends, in part, on our ability to enhance the functionality of our existing software solutions by introducing new and innovative core functionality and Value+ services that keep pace with technological developments, and provide functionality that addresses the evolving business needs of our customers. In addition, our growth over the long term depends, in part, on our ability to introduce new products for adjacent markets or additional verticals that we identify through our market validation process. Market acceptance of our current and future software solutions will depend on numerous factors, including:

- the unique functionality of our software solutions and the extent to which our software solutions meet the business needs of our customers;
- the perceived benefits of our cloud-based business management software solutions relative to on-premise software applications or other competitive products;
- the pricing of our software solutions relative to competitive products;
- perceptions about the security, privacy and availability of our software solutions relative to competitive products;
- time-to-market of our new core functionality, Value+ services and products; and
- perceptions about the quality and responsiveness of our customer service organization.

If we are unable to successfully enhance the functionality of our existing software solutions, including our core solutions and Value+ services, and develop new products that gain market acceptance in adjacent markets and additional verticals, our revenue may increase at a slower rate than we expect and may even decline, which could adversely affect our operating results.

Our business depends substantially on existing customers renewing their subscriptions with us and expanding their use of our Value+ services, and a decline in customer renewal rates, or failure to convince existing customers to adopt and utilize our Value+ services, would harm our operating results.

In order for us to maintain or increase our revenue and improve our operating results, it is important that our existing customers continue to pay subscription fees for the use of our core solutions, as well as increase their adoption and utilization of our Value+ services. Our customers that start their accounts using a 30-day free trial have no obligation to begin a paid subscription. In addition, our customers have no obligation to renew their subscriptions with us upon expiration of their subscription periods, which range from one month to one year. We cannot assure you that our customers will renew their subscriptions with us. In addition, although a significant portion of our revenue growth has historically resulted from the adoption and utilization of our Value+ services by our existing customers, we cannot assure you that our existing customers will continue to broaden their adoption and utilization of our Value+ services, or use our Value+ services at all. If our existing customers do not renew their subscriptions and increase their adoption and utilization of our existing or newly developed Value+ services, our revenue may increase at a slower rate than we expect and may even decline, which could adversely impact our operating results.

Word-of-mouth referrals represent a significant source of new customers for us and provide us with an opportunity to cost-effectively market and sell our software solutions. The loss of our existing customers, or the failure of our existing customers to adopt and use additional Value+ services, could have a significant impact on our reputation in our targeted verticals and our ability to acquire new customers cost-effectively. A reduction in the number of our existing customers, even if offset by an increase in new customers, could have the impact of reducing our revenue and operating margins.

In an effort to retain our customers and to expand our customers' adoption and utilization of our Value+ services, we may choose to use increasingly costly sales and marketing efforts. In addition, we may make significant investments in research and product development to introduce Value+ services that ultimately are not broadly adopted by our customers, which could result in a significant increase in costs without a corresponding increase in revenue. Furthermore, we may fail to identify Value+ services that our customers need for their businesses, in which case we could miss opportunities to increase our revenue.

We expect to continue to derive a significant portion of our revenue from our property manager customers, and factors resulting in a loss of these customers could adversely affect our operating results.

Historically, more than 90% of our revenue has been derived from APM, our property management solution, and we expect that our property manager customers will continue to account for a significant portion of our revenue for the foreseeable future. The businesses of our property manager customers are typically significantly larger than those of our law firm customers. In addition, our property management solution has been available for longer, is more established within its vertical with a larger customer base, and currently offers a greater number of Value+ services. We could lose property manager customers as a result of numerous factors, including:

- the expiration or termination of subscription agreements;
- the introduction of competitive products or technologies;
- changes in pricing policies by us or our competitors;
- acquisitions or consolidations within the industry;
- bankruptcies or other financial difficulties facing our customers; and
- conditions or trends that are specific to the property management industry.

The loss of a significant number of our property manager customers, or the loss of even a small number of our larger property manager customers, could cause our revenue to increase at a slower rate than we expect or even decline. In addition, we may be unable to grow revenue from our existing property manager customers by increasing their adoption and utilization of our Value+ services. Even if we continue to experience significant growth in our customer base within the legal vertical, it may be insufficient to offset slower growth or a decline in the property management business, which could adversely affect our operating results.

Our growth depends in part on the success of our strategic relationships with third parties.

In order to grow our business, we anticipate that we will continue to depend on our relationships with third parties, including our data center operators, electronic payment partners and other third parties that support delivery of our software solutions. Identifying partners, negotiating agreements and maintaining relationships requires significant time and resources. Our competitors may be more effective than us in cost-effectively building relationships with third parties that enhance their products and services, allow them to provide more competitive pricing, or offer other benefits to their customers. In addition, acquisitions of our partners by our competitors could result in a decrease in the number of current and potential strategic partners willing to establish or maintain relationships with us, and could increase the price at which products or services are available to us. If we are unsuccessful in establishing or maintaining our relationships with third parties, our ability to compete in the marketplace or to grow our revenue could be impaired, which could negatively impact our operating results. Even if we are successful, we cannot assure you that these relationships will result in increased customer adoption and usage of our software solutions or improved operating results. Furthermore, if our partners fail to perform as expected, we may be subjected to litigation, our reputation may be harmed, and our business and operating results could be adversely affected.

We depend on data centers and computing infrastructure operated by third parties and any disruption in these operations could adversely affect our operating results.

We currently serve our customers through a combination of our own servers located in third-party data center facilities, and servers and data centers operated by Amazon. While we control and have access to our own servers and the other components of our network that are located in our external data centers, we do not control the operation of any of these third-party data center facilities. The owners of our data center facilities have no obligation to renew their agreements with us on commercially reasonable terms, or at all. If we are unable to renew these agreements on commercially reasonable terms, or if one of our third-party data center operators is acquired, we may be required to transfer our servers and other infrastructure to new data center facilities, and we may incur significant costs and possible service interruptions in connection with doing so.

Problems faced by our third-party data center operators, or with any of the service providers with whom we or they contract, could adversely affect the experience of our customers. Our third-party data center operators could decide to close their facilities without adequate notice. In addition, any financial difficulties, such as bankruptcy, faced by our third-party data center operators, or any of the service providers with whom we or they contract, may have negative effects on our business. Additionally, if our data centers are unable to keep up with our growing needs for capacity or any spikes in customer demand, it could have an adverse effect on our business. Any changes in third-party service levels at our data centers could result in loss of or damage to our customers' stored information and service interruptions, which could hurt our reputation. These issues could also cause us to lose customers, harm our ability to attract new customers, or subject us to potential liability, any of which could adversely affect our operating results.

Our systems are not fully redundant, and we have not yet implemented a complete disaster recovery plan or business continuity plan. Although the redundancies we do have in place will permit us to respond, at least to some degree, to service outages, our third-party data centers are vulnerable in the event of failure. We do not yet have adequate structure or systems in place to recover from a data center's severe impairment or total destruction, and recovery from the total destruction or severe impairment of any of our third-party data centers could be difficult and may not be possible at all.

We use third-party service providers for important payment processing and reporting functions and their failure to fulfill their contractual obligations could harm our reputation and disrupt our business.

We use payment processing organizations and other service providers to enable us to provide electronic payment services to our customers, including EFT, and access to various reporting tools, such as background and credit checks. As a result, we have significantly less control over these payment processing and reporting functions than if we were to maintain and operate them ourselves. In some cases, functions necessary to our business are performed on proprietary third-party systems and software to which we have no access. We also generally do not have long-term contracts with these organizations and service providers. In addition, some of these organizations and service providers compete with us by directly or indirectly selling payment processing or reporting services to customers. The failure of these organizations and service providers to renew their contracts with us or to fulfill their contractual obligations could harm our reputation, result in significant disruptions to our business, and adversely affect our operating results.

Our platform must integrate with a variety of devices, operating systems and browsers that are developed by others, and if we are unable to ensure that our software solutions interoperate with such devices, operating systems and browsers, our software solutions may become less competitive, and our operating results may be harmed.

We offer our software solutions across a variety of operating systems and through the Internet. We are dependent on the interoperability of our platform with third-party devices, desktop and mobile operating systems, as well as web browsers that we do not control. Any changes in such devices, systems or web browsers that

degrade the functionality of our software solutions or give preferential treatment to competitive services could adversely affect adoption and usage of our software solutions. In addition, in order to deliver high quality software solutions, we will need to continuously enhance and modify our functionality to keep pace with changes in Internet-related hardware, mobile operating systems such as iOS and Android, browsers and other software, communication, network and database technologies. We may not be successful in developing enhancements and modifications that operate effectively with these devices, operating systems, web browsers and other technologies or in bringing them to market in a timely manner. Furthermore, uncertainties regarding the timing or nature of new network platforms or technologies, and modifications to existing platforms or technologies, could increase our research and product development expense. In the event that it is difficult for our customers to access and use our software solutions, our customer growth may be harmed, and our operating results could be adversely affected.

The markets in which we participate are intensely competitive and, if we do not compete effectively, our business could be harmed.

The overall market for business management software is global, highly competitive and continually evolving in response to changes in technology, operational requirements, and laws and regulations. Although earlier in its development, the market for cloud-based business management software is also highly competitive and subject to similar market factors.

While we focus on providing industry-specific, cloud-based business management software solutions to SMBs in our targeted verticals, we compete with other vertical cloud-based solution providers that serve companies of all sizes, as well as with horizontal cloud-based solution providers that provide broad cloud-based solutions across multiple verticals. Our competitors include established vertical software vendors, as well as newer entrants in the market. We also face competition from numerous cloud-based solution providers that focus almost exclusively on one or more point solutions. Continued consolidation among cloud-based providers could lead to significantly increased competition.

Although the domain expertise required to successfully develop, market and sell cloud-based business management software solutions in the property management and legal verticals may hinder new entrants that are unable to invest the necessary resources to develop and deploy cloud-based solutions with the same level of functionality as ours, many of our competitors and potential competitors are larger and have greater name recognition, longer operating histories, and significantly greater resources than we do. As a result, our competitors may be able to respond more quickly and effectively to new or changing opportunities, technologies, operational requirements and industry standards. Some of these competitors may have more established customer relationships or strategic partnerships with third parties that enhance their products and services. Other competitors may offer products or services that address one or a number of business functions on a standalone basis at lower prices or bundled as part of a broader product sale, or with greater depth than our software solutions. In addition, our current and potential competitors may develop, market and sell new technologies with comparable functionality to our software solutions, which could force us to decrease our prices in order to remain competitive. For all of these reasons, we may not be able to compete effectively against our current and future competitors, which could harm our business.

Pricing pressure may cause us to change our pricing model, which could hurt our renewal rates and adversely affect our operating results.

As the markets for our existing software solutions mature, or as current and future competitors introduce new products or services that compete with ours, we may experience pricing pressure and be unable to renew our subscription agreements with existing customers or attract new customers at prices that are consistent with our pricing model and operating budget. If this were to occur, it is possible that we would have to change our pricing model, offer price incentives or reduce our prices. In addition, our customers are SMBs, which are typically more price sensitive than larger enterprises. Changes to our pricing model could hurt our renewal rates and adversely affect our revenue and operating results.

If we lose key members of our management team, our business may be harmed.

Our success and future growth depend, in part, upon the continued services of our executive officers and other key employees. From time to time, there may be changes in our executive officers or other key employees resulting from the hiring or departure of these personnel, which may disrupt our business. Our executive officers and other key employees are generally employed on an at-will basis, which means that these personnel could terminate their employment with us at any time. Additionally, the equity awards held by many of our executive officers and other key employees will be close to fully vested at the time of the completion of this offering, and these employees may not have sufficient financial incentive to stay with us. The loss of one or more of our executive officers or other key employees, or the failure by our executive team to work effectively with our employees and lead our company, could have an adverse effect on our business.

Our corporate culture has contributed to our success and, if we cannot maintain this culture as we grow, we could lose the passion, creativity, teamwork, focus and innovation fostered by our culture.

We believe that our culture has been and will continue to be a key contributor to our success. If we do not continue to develop our corporate culture or maintain our core values as we grow and evolve, we may be unable to foster the passion, creativity, teamwork, focus and innovation we believe we need to support our growth. Any failure to preserve our culture could negatively affect our ability to recruit and retain personnel and to effectively focus on and pursue our strategic objectives. Moreover, liquidity available to our employee security holders following this offering could lead to disparities of wealth among our employees, which could adversely impact relations among employees and our culture in general. Our transition from a private company to a public company may result in a change to our corporate culture, which could harm our business.

We expect to experience rapid growth and if we fail to manage our growth effectively, we may be unable to execute our business plan.

We have experienced significant growth since our formation in 2006, and we anticipate that we will continue to experience growth and expansion of our operations. For example, since our incorporation, we have significantly increased the number of employees across our organization, introduced new Value+ services, including our electronic payment services and tenant liability insurance program, and entered a new vertical with the acquisition of MyCase. This growth in the size, complexity and diversity of our business has placed, and we expect that our continued growth will continue to place, a significant strain on our management, administrative, operational and financial resources, as well as our company culture. Our future success will depend, in part, on our ability to manage this growth effectively. To manage the expected growth of our operations and personnel, we will need to continue to develop and improve our operational and financial controls and our reporting systems and procedures, and to nurture and build on our company culture. Failure to effectively manage growth could adversely impact our business, including by resulting in errors or delays in deploying new core functionality to our customers, delays or difficulties in introducing new Value+ services or other products, declines in the quality or responsiveness of our customer service organization, increases in costs and operating expenses, and other operational difficulties. If any of these risks actually occurs, it could harm our reputation, adversely affect our operating results, and inhibit or preclude us from achieving our strategic objectives.

We depend on highly skilled personnel and, if we are unable to retain or hire additional qualified personnel, we may not be able to achieve our strategic objectives.

To execute our growth plan and achieve our strategic objectives, we must continue to attract and retain highly qualified and motivated personnel across our organization. In particular, in order to continue to enhance our software solutions, add new and innovative core functionality and Value+ services, as well as develop new products, it will be critical for us to substantially increase the size of our research and product development organization, including hiring highly skilled engineers with experience in designing, developing and testing cloud-based software solutions. Competition for software engineers is intense within our industry and there

continues to be upward pressure on the compensation paid to these professionals. In addition, in order for us to achieve broader market acceptance of our software solutions, grow our customer base, and pursue adjacent markets and new verticals, we will need to continue to significantly increase the size of our sales and marketing organization. Identifying and recruiting qualified sales personnel and training them in the use of our platform requires significant time and expense, and it can be particularly difficult to retain these personnel.

Many of the companies with which we compete for experienced personnel have greater name recognition and financial resources than we have. If we hire employees from competitors or other companies, their former employers may attempt to assert that we or these employees have breached their legal obligations, resulting in a diversion of our time and resources. In addition, our headquarters are located in Santa Barbara, California, which is not generally recognized as a prominent commercial center, and it is challenging to attract qualified professionals due to our geographic location. As a result, we may have difficulty hiring and retaining suitably skilled personnel with the qualifications and motivation to expand our business. If we are unable to attract and retain the personnel necessary to execute our growth plan, we may be unable to achieve our strategic objectives and our operating results may suffer.

In addition, prospective and existing employees often consider the value of the equity awards they receive in connection with their employment. If the perceived value of our equity awards decline, or if the price of our Class A common stock experiences significant volatility, it may adversely affect our ability to recruit and retain highly skilled employees. If we fail to attract new personnel or to retain and motivate our current personnel, our future growth prospects could be adversely affected and our business could be harmed.

We have acquired, and may in the future acquire, other companies or technologies, which could divert our management's attention, result in additional dilution to our stockholders and otherwise disrupt our operations.

We have acquired, and may in the future acquire, other companies or technologies to complement or expand our software solutions, optimize our technical capabilities, enhance our ability to compete in our targeted verticals, provide an opportunity to expand into an adjacent market or new vertical, or otherwise offer growth or strategic opportunities. For example, in 2012, we acquired MyCase, which allowed us to accelerate our time-to-market in the legal vertical and, in April 2015, we acquired RentLinx, LLC, or RentLinx, an advertising aggregator, which we believe will allow us to offer additional Value+ services to our property manager customers. The pursuit of acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated.

We have limited experience acquiring other businesses. We may not be able to integrate acquired assets, technologies, personnel and operations successfully or achieve the anticipated synergies or other benefits from the acquired business due to a number of risks associated with acquisitions, including:

- incurrence of acquisition-related costs;
- difficulties integrating the assets, technologies, personnel or operations of the acquired business in a cost-effective manner, or inability to do so;
- difficulties and additional expenses associated with supporting legacy products and services of the acquired business;
- difficulties converting the customers of the acquired business to our software solutions and contract terms;
- diversion of management's attention from our business to address acquisition and integration challenges;
- adverse effects on our existing business relationships with customers and strategic partners as a result of the acquisition;

- cultural challenges associated with integrating employees from the acquired organization into our company;
- the loss of key employees;
- use of resources that are needed in other parts of our business;
- use of substantial portions of our available cash to consummate the acquisition; and
- unanticipated costs or liabilities associated with the acquisition.

If an acquired business fails to meet our expectations, our operating results, business and financial position may suffer. In addition, acquisitions could also result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results. Furthermore, a significant portion of the purchase price of companies we may acquire could be allocated to goodwill and other intangible assets, which must be assessed for impairment. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process, which could adversely affect our operating results.

If our property manager customers stop requiring residents to provide proof of tenant liability insurance, if insurance premiums decline or if the insureds experience greater than expected losses, our operating results could be harmed.

We generate revenue by offering tenant liability insurance through a wholly owned subsidiary. Some of our property manager customers require residents to provide proof of tenant liability insurance and offer to enroll residents in their tenant liability insurance policy as additional insureds. If demand for rental housing declines, or if our property manager customers believe that it may decline, these customers may reduce their rental rates and stop requiring residents to provide proof of tenant liability insurance in order to reduce the overall cost of renting and make their rental offerings more competitive. If our property manager customers stop requiring residents to provide proof of tenant liability insurance or elect to enroll residents in insurance programs offered by competing providers, or if insurance premiums otherwise decline, our revenues from insurance services could be adversely affected.

Additionally, our tenant liability insurance policies are underwritten by us, and we are required by our insurance partner to maintain a reserve to cover potential claims under the policies. While our policies have a limit of $100,000 per occurrence, there is no limit on the dollar amount of claims that could be made against us in any particular period or in the aggregate. In the event that claims by the insureds increase unexpectedly, our reserve may not be sufficient to cover our resultant liability under the policies. To the extent we are required to pay out amounts to insureds that are significantly higher than our current reserves, it could have an adverse effect on our operating results.

Our tenant liability insurance business is subject to state governmental regulation, which could limit the growth of our insurance business and impose additional costs on us.

Our wholly owned subsidiary holds a license from the State of Hawaii Insurance Division of the Department of Commerce and Consumer Affairs and our third-party service providers maintain licenses with a number of other individual state departments of insurance. Collectively, we are subject to state governmental regulation and supervision in connection with the operation of our tenant liability insurance business. This state governmental supervision could limit the growth of our insurance business by increasing the costs of regulatory compliance, limiting or restricting the products or services we provide or the methods by which we provide them, or subjecting us to the possibility of regulatory actions or proceedings. Our continued ability to maintain these insurance licenses in the jurisdictions in which we are licensed depends on our compliance with the rules and regulations promulgated from time to time by the regulatory authorities in each of these jurisdictions. Furthermore, state insurance departments conduct periodic examinations, audits and investigations of the affairs of insurance companies, any of which could result in the expenditure of significant management time or financial resources.

In all jurisdictions, the applicable laws and regulations are subject to amendment or interpretation by regulatory authorities. Generally, such authorities are vested with relatively broad discretion to grant, renew and revoke licenses and approvals and to implement rules and regulations. Accordingly, we may be precluded or temporarily suspended from carrying on some or all of the activities of our insurance business or otherwise be fined or penalized in a given jurisdiction. No assurances can be given that our insurance business can continue to be conducted in any given jurisdiction as it has been conducted in the past or that we will be able to expand our insurance business in the future.

All of our revenues are generated by sales to customers in our targeted verticals, and factors that adversely affect the applicable industry could also adversely affect us.

Currently, all of our sales are to customers in the property management and legal industries. Demand for our software solutions could be affected by factors that are unique to and adversely affect our targeted verticals. In particular, the property management and legal industries are highly regulated, subject to intense competition and impacted by changes in general economic and market conditions. For example, changes in applicable laws and regulations could significantly impact the software functionality demanded by our customers and require us to expend significant resources to ensure our software solutions continue to meet their evolving needs. In addition, other industry-specific factors, such as industry consolidation or the introduction of competing technology, could lead to a significant reduction in the number of customers that use our software solutions within a particular vertical or the Value+ services demanded by these customers. Further, if the rental housing or legal markets decline, our customers may decide not to renew their subscriptions or they may cease using our Value+ services in order to reduce costs and remain competitive. As a result, our ability to generate revenue from our property manager and law firm customers could be adversely affected by specific factors that affect the property management or legal industries.

Our software solutions address functions within the heavily regulated property management and legal industries, and our customers' failure to comply with applicable laws and regulations could subject us to litigation.

We sell our software solutions to customers within the property management and legal industries. Our customers use our software solutions for business activities that are subject to a number of laws and regulations, including state and local real property laws and legal ethics rules. Any failure by our customers to comply with laws and regulations applicable to their businesses, and in particular to the functions for which our software solutions are used, could result in fines, penalties or claims for substantial damages against our customers. To the extent our customers believe that such failures were caused by our software solutions or our customer service organization, our customers may make a claim for damages against us, regardless of whether we are responsible for the failure. We may be subject to lawsuits that, even if unsuccessful, could divert our resources and our management's attention and adversely affect our business, and our insurance coverage may not be sufficient to cover such claims against us.

If we are unable to deliver effective customer service, it could harm our relationships with our existing customers and adversely affect our ability to attract new customers.

Our business depends, in part, on our ability to satisfy our customers, both by providing software solutions that address their business needs, and by providing on-boarding services and ongoing customer service, which contributes to retaining customers and increasing adoption and utilization of our Value+ services by our existing customers. Once our software solutions are deployed, our customers depend on our customer service organization to resolve technical issues relating to their use of our solutions. We may be unable to respond quickly to accommodate short-term increases in customer demand for support services or may otherwise encounter a customer issue that is difficult to resolve. If a customer is not satisfied with the quality or responsiveness of our customer service, we could incur additional costs to address the situation. As we do not separately charge our customers for support services, increased demand for our support services would increase costs without corresponding revenue, which could adversely affect our operating results.

In addition, our sales process is highly dependent on the ease of use of our software solutions, our reputation and positive recommendations from our existing customers. Any failure to maintain high-quality or responsive customer service, or a market perception that we do not maintain high-quality or responsive customer service, could harm our reputation, cause us to lose customers and adversely impact our ability to sell our software solutions to prospective customers.

If we are unable to maintain and promote our brands, or to do so in a cost-effective manner, our ability to achieve market acceptance of our software solutions and expand our customer base will be impaired.

We believe that maintaining and promoting our brands is critical to achieving widespread awareness and acceptance of our software solutions, and maintaining and expanding our customer base. We also believe that the importance of brand recognition will increase as competition in our targeted verticals increases. If we do not continue to build awareness of our brands, we could be placed at a competitive disadvantage to companies whose brands are, or become, more recognizable than ours. Maintaining and promoting our brands will depend, in part, on our ability to continue to provide new and innovative core functionality and Value+ services and best-in-class customer service, as well as the effectiveness of our sales and marketing efforts. If we fail to deliver products and functionality that address our customers' business needs, or if we fail to meet our customers' expectations for customer service, it could weaken the perception of our brands and harm our reputation. Additionally, the actions of third parties may affect our brands and reputation if customers do not have a positive experience using the services of our third-party partners that support our software solutions. Maintaining and enhancing our brands may require us to make substantial investments, and these investments may not result in commensurate increases in our revenue. If we fail to successfully promote and maintain our brands, or if we incur expenses in this effort that are not offset by increased revenue, our business and operating results could be adversely affected.

If we are unable to increase sales of our software solutions to larger customers while mitigating the risks associated with serving such customers, our business and operating results may suffer.

While we plan to continue to market and sell our software solutions to SMBs, our growth strategy is dependent, in part, upon increasing sales of our software solutions to larger customers within the SMB market. Sales to larger customers involve risks that may not be present, or that are present to a lesser extent, in sales to smaller businesses. As we seek to increase our sales to larger customers, we may invest considerably greater amounts of time and financial resources in our sales and marketing efforts. In addition, we may face longer sales cycles and experience less predictability and greater competition in completing some of our sales than we have in selling our software solutions to smaller entities. Although we generally have not configured our software solutions or negotiated our pricing for specific customers, which has historically resulted in reduced upfront selling costs, our ability to successfully sell our software solutions to larger customers may be dependent, in part, on our ability to develop functionality, or to implement pricing policies, that are unique to particular customers. It may also be dependent on our ability to attract and retain sales personnel with experience selling to larger organizations. Also, because security breaches or other performance problems with respect to larger customers may result in greater economic harm to these customers and more adverse publicity, there is increased financial and reputational risk associated with serving such customers. If we are unable to increase sales of our software solutions to larger customers, while mitigating the risks associated with serving such customers, our business and operating results may suffer.

Because we recognize revenue from subscriptions for our software solutions over the terms of the subscription agreements, downturns or upturns in new business may not be immediately reflected in our operating results.

We recognize revenue from customers ratably over the terms of their subscription agreements, which range from one month to one year. As a result, some of the revenue we report in each period is derived from the recognition of deferred revenue relating to subscription agreements entered into during previous periods. Consequently, a decline in new or renewed subscriptions in any one period may not be reflected in our revenue

results for that period. However, any such decline will negatively affect our revenue in future quarters. Our subscription model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from new customers must be recognized over the applicable subscription period. Accordingly, the effect of downturns or upturns in our sales and the market acceptance of our software solutions, and potential changes in our customer retention rates, may not be apparent in our operating results until future periods.

Because our invoicing is generally for periods less than one year, we do not have significant deferred revenue and our growth is therefore heavily dependent on subscription sales and renewals in the current year.

Our growth is heavily dependent on subscription sales and renewals in the current year. We offer our core solutions and Value+ subscription services to customers pursuant to subscription agreements with relatively short terms ranging from one month to one year. We generally invoice our customers for subscription services in monthly, quarterly or annual installments, typically in advance of the subscription period. As a result, we do not have significant deferred revenue because invoicing is generally for periods less than one year. We do not currently intend to extend the terms of our subscription agreements, or to invoice our customers less frequently, and we expect that we will continue to depend on current-year sales and renewals to drive our growth.

Failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brands.

We currently rely on patent, trademark, copyright and trade secret laws, trade secret protection and confidentiality or license agreements with our employees, customers, partners and others to protect our intellectual property rights. Our success and ability to compete depend, in part, on our ability to protect our intellectual property, including our proprietary technology and our brands. If we are unable to protect our proprietary rights adequately, our competitors could use the intellectual property we have developed to enhance their own products and services, which could harm our business.

In order to monitor and protect our intellectual property rights, we may be required to spend significant resources. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property, or require us to pay costly royalties. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Accordingly, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. Our failure to secure, protect and enforce our intellectual property rights could adversely affect our business and operating results.

We may be sued by third parties for alleged infringement of their proprietary rights.

There is considerable patent, trademark, copyright, trade secret and other intellectual property development activity in our industry. Our success depends, in part, on our not infringing upon the intellectual property rights of others. Our competitors, as well as a number of other entities and individuals, may own or claim to own intellectual property relating to our technology or software solutions. From time to time, our competitors or other third parties may claim that we are infringing upon their intellectual property rights. However, we may be unaware of the intellectual property rights that others may claim cover some or all of our technology or software solutions. Any claims or litigation, regardless of merit, could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages, settlement costs or ongoing royalty payments, require that we comply with other unfavorable license and other terms, or prevent us from offering our software solutions in their current form. Even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the attention of our management and key personnel from our business operations and harm our operating results.

Our software solutions contain open source software, which may pose particular risks to our proprietary source code, and could have a negative impact on our business and operating results.

We use open source software in our software solutions and expect to continue to use open source software in the future. The terms of many open source licenses to which we are subject have not been interpreted by U.S. or foreign courts, and there is a risk that open source licenses could be construed in a manner that imposes unanticipated conditions, restrictions or costs on our ability to provide or distribute our software solutions. Additionally, we may from time to time face claims from third parties alleging ownership of, or demanding release of, the open source software or derivative works that we developed using such software, which could include our proprietary source code, or otherwise seeking to enforce the terms of the applicable open source license. These claims could result in litigation, which could be costly for us to defend, and could require us to make our source code freely available, purchase a costly license or cease offering the implicated core functionality and Value+ services unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional research and product development resources, and we may not be able to complete it successfully or in a timely manner. In addition to risks related to license requirements, usage of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of software. Many of these risks could be difficult to eliminate or manage, and could have a negative effect on our business and operating results.

Changes in laws and regulations related to the Internet or changes in the Internet infrastructure itself may diminish the demand for our software solutions, and could have a negative impact on our business.

The future success of our business depends upon the continued use of the Internet as a primary medium for commerce, communication and business services. Federal, state or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations affecting the use of the Internet as a commercial medium. Changes in these laws or regulations could require us to modify our software solutions in order to comply with these changes. In addition, government agencies or private organizations may begin to impose taxes, fees or other charges for accessing the Internet, or for the commerce conducted via the Internet. These laws or charges could limit the growth of Internet-related commerce or communications generally, result in reductions in the demand for Internet-based business services such as ours, and cause us to incur significant expenses.

The use of the Internet in general could be adversely affected by delays in the development or adoption of new standards and protocols to handle increased demands of Internet activity, accessibility, reliability, security, cost, ease of use and quality of service. In addition, the use of the Internet as a medium for commerce, communication and business services may have been, and may continue to be, adversely affected by concerns regarding network outages, software errors, viruses, security breaches, fraud or other malicious activity. If the use of the Internet is adversely affected by these issues, demand for our software solutions could suffer.

Privacy and data security laws and regulations could impose additional costs on us and reduce the demand for our software solutions.

Our customers store and transmit a significant amount of personal or identifying information through our technology platform. Privacy and data security have become significant issues in the United States and in other jurisdictions where we may offer our software solutions. The regulatory framework relating to privacy and data security issues worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. Federal, state and foreign government bodies and agencies have in the past adopted, or may in the future adopt, laws and regulations regarding the collection, use, processing, storage and disclosure of personal or identifying information obtained from customers and other individuals. In addition to government regulation, privacy advocates and industry groups may propose various self-regulatory standards that may legally or contractually apply to our business. Because the interpretation and application of many privacy and data security laws, regulations and applicable industry standards are uncertain, it is possible that these laws, regulations and

standards may be interpreted and applied in a manner inconsistent with our existing privacy and data management practices. As we expand into new jurisdictions or verticals, we will need to understand and comply with various new requirements applicable in those jurisdictions or verticals.

To the extent applicable to our business or the businesses of our customers, these laws, regulations and industry standards could have negative effects on our business, including by increasing our costs and operating expenses, and delaying or impeding our deployment of new core functionality, Value+ services and products. Compliance with these laws, regulations and industry standards requires significant management time and attention, and failure to comply could result in negative publicity, subject us to fines or penalties, or result in demands that we modify or cease existing business practices. In addition, the costs of compliance with, and other burdens imposed by, such laws, regulations and industry standards may adversely affect our customers' ability or desire to collect, use, process and store personal information using our software solutions, which could reduce overall demand for them. Even the perception of privacy and data security concerns, whether or not valid, may inhibit market acceptance of our software solutions in certain verticals. Furthermore, privacy and data security concerns may cause our customers' clients, vendors, employees and other industry participants to resist providing the personal information necessary to allow our customers to use our applications effectively. Any of these outcomes could adversely affect our business and operating results.

We may require additional capital to support our operations or the growth of our business, and we cannot be certain that this capital will be available on reasonable terms when required, or at all.

On occasion, we may need additional capital to grow our business and meet our strategic objectives. Our ability to obtain additional capital, if and when required, will depend on numerous factors, including investor and lender demand, our historical and forecasted financial and operating performance, our market position, and the overall condition of the capital markets. We cannot guarantee that additional financing will be available to us on favorable terms when required, or at all. In addition, if we raise additional funds through the issuance of equity securities, those securities may have powers, preferences or rights senior to the rights of our Class A common stock, and our existing stockholders may experience dilution. If we raise additional funds through the issuance of debt securities, we may incur interest expense or other costs to service the indebtedness, or we may be required to encumber certain assets, which could negatively impact our operating results. Furthermore, if we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support the growth of our business and the achievement of our strategic objectives could be significantly impaired and our operating results may be harmed.

Financing agreements we are party to or may become party to may contain operating and financial covenants that restrict our business and financing activities. Failure to comply with these covenants, or other restrictions, could result in default under these agreements.

Our existing credit agreement with Wells Fargo Bank, N.A. contains certain operating and financial restrictions and covenants, including limitations on dividends, dispositions, mergers or consolidations, incurrence of indebtedness and liens, and other corporate activities. These restrictions and covenants, as well as those contained in any future financing agreements that we may enter into, may restrict our ability to finance our operations, and to engage in, expand or otherwise pursue our business activities and strategic objectives. Our ability to comply with these covenants may be affected by events beyond our control, and breaches of these covenants could result in a default under our existing credit agreement and any future financial agreements that we may enter into. If not waived, defaults could cause our outstanding indebtedness under our existing credit agreement and any future financing agreements that we may enter into to become immediately due and payable.

Because our long-term growth strategy involves expansion of our sales to customers outside the United States, our business will be susceptible to the risks associated with international operations.

A component of our growth strategy involves the expansion of our international operations and worldwide customer base. To date, we have realized an immaterial amount of revenue from customers outside the United

States. Operating in international markets will require significant resources and management attention and will subject us to regulatory, economic, geographic and political risks that are different from those in the United States. Because of our limited experience with international operations and significant differences between the United States and international markets, our international expansion efforts may not be successful in creating demand for our software solutions outside of the United States or in effectively selling subscriptions to our software solutions in the international markets we enter. If we invest substantial time and resources to expand our international operations and are unable to do so successfully, our business and operating results could suffer.

We will incur significantly increased costs and devote substantial management time as a result of operating as a public company.

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. We will be subject to certain requirements under the Securities Act of 1933, as amended, or the Securities Act, the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act and the related rules and regulations of the SEC. We will also be subject to the listing standards of the NASDAQ Global Market, or NASDAQ. We expect that the requirements of these laws, rules, regulations and listing standards will continue to increase our legal, accounting and financial compliance costs, make some activities more difficult and time consuming, and place significant strain on our personnel, systems and resources. We will need to hire additional accounting and financial personnel with appropriate public company experience and technical knowledge. We cannot predict with certainty the amount of additional costs we may incur as a result of becoming a public company or the timing of such costs, which will increase our general and administrative expense. We also expect that operating a public company will make it more difficult and expensive for us to obtain director and officer liability insurance on reasonable terms. As a result, it may be more difficult for us to attract and retain qualified people to serve on our board of directors or as executive officers.

We have identified material weaknesses in our internal control over financial reporting that, if not corrected, could result in material misstatements to our financial statements.

In connection with the audit of our consolidated financial statements as of and for the year ended December 31, 2014, our independent registered public accounting firm identified material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements would not be prevented or detected on a timely basis. We have not designed or maintained an effective control environment with sufficient personnel with an appropriate level of accounting and financial reporting expertise with respect to the accounting for non-routine, complex transactions. This lack of an effective control environment contributed to a material weakness in our accounting policies and procedures designed to address the accounting for unusual or complex transactions. These material weaknesses resulted in audit adjustments in our 2014 financial statements and a revision to our 2012 and 2013 financial statements.

Neither we nor our independent registered public accounting firm has performed or was required to perform an evaluation of our internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. While we have begun the process of evaluating the design and operation of our internal control over financial reporting and implementing additional processes and controls, we are in the early phases and will not complete our implementation until after this offering is completed. During the course of our evaluation and implementation, we may identify additional control deficiencies, which could give rise to other material weaknesses, in addition to the material weaknesses described above. The material weaknesses described above or any newly identified material weakness could result in a material misstatement of our annual or interim consolidated financial statements that would not be prevented or detected.

If we fail to achieve and maintain an effective system of internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.

We are not currently required to comply with the rules and regulations of the SEC implementing Section 404 of the Sarbanes-Oxley Act and, therefore, are not required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose. Upon becoming a public company, we will be required to comply with the SEC's rules and regulations implementing Sections 302 and 404 of the Sarbanes-Oxley Act, which will require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of our internal control over financial reporting. Though we will be required to disclose changes made in our internal controls and procedures on a quarterly basis, Section 404 of the Sarbanes-Oxley Act requires that we evaluate and determine the effectiveness of our internal control over financial reporting commencing with our second annual report on Form 10-K by providing a management report on internal control over financial reporting. Pursuant to the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting until the later of the year following our first annual report required to be filed with the SEC or the date we are no longer an emerging growth company.

If we continue to have a material weakness in our internal control over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. Ineffective internal control over financial reporting, failure to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner and the inability to express an opinion as to the effectiveness of our internal control over financial reporting could cause investors to lose confidence in our reported financials and other information, which could have a negative effect on the market price of our Class A common stock. Additionally, it could lead to an investigation by the SEC, NASDAQ or other regulatory authorities, which could require additional financial and management resources.

We are an emerging growth company and our decision to comply with certain reduced reporting and disclosure requirements could make our Class A common stock less attractive to investors.

We qualify as an emerging growth company under the JOBS Act. An emerging growth company may take advantage of specified reduced reporting requirements and may be relieved of other significant requirements that are otherwise generally applicable to public companies. These provisions include:

- an exemption from compliance with the auditor attestation requirement on the effectiveness of our internal control over financial reporting;
- an exemption from compliance with any requirement that the Public Company Accounting Oversight Board may adopt regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements;
- reduced disclosure about our executive compensation arrangements; and
- exemptions from the requirements to obtain a non-binding advisory vote on executive compensation or stockholder approval of any golden parachute arrangements.

We have irrevocably elected to opt out of the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act. However, we intend to take advantage of the other exemptions discussed above. Accordingly, the information contained in this prospectus may be different from the information you receive from other public companies in which you have invested.

We cannot predict if investors will find our Class A common stock less attractive as a result of our reliance on these exemptions. If some investors find our Class A common stock less attractive as a result of our reliance on these exemptions, there may be a less active trading market for our Class A common stock, the market price of our Class A common stock may be more volatile, and the trading price of our Class A common stock may be lower than that of comparable companies.

Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.

As of December 31, 2014, we had U.S. federal net operating loss carryforwards of approximately $56.3 million and state net operating loss carryforwards of approximately $40.2 million, which begin to expire in 2027 and 2017, respectively. As of December 31, 2014, we had U.S. federal credit carryforwards of approximately $2.0 million and state credit carryforwards of approximately $2.1 million. The federal credit carryforwards begin to expire in 2027 and the state credits carry forward indefinitely. Under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, if a corporation undergoes an "ownership change," the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as research tax credits, to offset its post-change income and taxes may be limited. In general, an "ownership change" occurs if there is a cumulative change in our ownership by "5% shareholders" that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. It is possible that our existing net operating loss and/or credit carryforwards may be subject to limitations arising from previous ownership changes, and this offering or future issuances of our stock could cause an ownership change. Furthermore, our ability to utilize net operating loss and/or credit carryforwards of companies that we have acquired or may acquire in the future may be subject to limitations. Any such limitations on our ability to use our net operating loss carryforwards and other tax assets could adversely impact our business, financial condition and operating results.

Tax laws or regulations could be enacted or changed and existing tax laws or regulations could be applied to us or to our customers in a manner that could increase the costs of our software solutions and adversely impact our operating results.

The application of federal, state, local and foreign tax laws to services provided electronically is continuously evolving. New income, sales, use or other tax laws, statutes, rules, regulations or ordinances could be enacted or amended at any time, possibly with retroactive effect, and could be applied solely or disproportionately to services provided over the Internet. These enactments or amendments could adversely affect our sales activity due to the inherent cost increase the taxes would represent and ultimately result in a negative impact on our operating results.

In addition, existing tax laws, statutes, rules, regulations or ordinances could be interpreted, modified or applied adversely to us, possibly with retroactive effect, which could require us or our customers to pay additional tax amounts, as well as require us or our customers to pay fines or penalties, as well as interest on past amounts. If we are unsuccessful in collecting such taxes due from our customers, we could be held liable for such costs, thereby adversely impacting our operating results.

We may be subject to additional tax liabilities.

We are subject to income, sales, use, value added and other taxes in the United States and other jurisdictions in which we conduct business, and such laws and rates vary by jurisdiction. Certain jurisdictions in which we do not collect sales, use, value added or other taxes on our sales may assert that such taxes are applicable, which could result in tax assessments, penalties and interest, and we may be required to pay or collect such taxes in the future. If we receive an adverse determination as a result of an audit or related litigation, or we unilaterally determine that we have misinterpreted provisions of the tax regulations to which we are subject, there could be a material effect on our tax provision, net income or cash flows in the period or periods for which that determination is made.

Adverse economic conditions may negatively impact our business.

The growth of our business depends on the overall demand for business management software and on the economic health of our existing and prospective customers. Future economic changes could negatively impact the U.S. and global economy, which could cause customers to reduce or delay their information technology spending, or resist migrating from their existing software to our software solutions. This could in turn reduce

demand for our software solutions and result in a loss of customers, reductions in subscription duration and value, slower adoption of new technologies, increased price competition, longer sales cycles and increased sales and marketing expenditures. Any of these events could have an adverse effect on our business and operating results.

Our reported financial results may be adversely affected by changes in accounting principles generally accepted in the United States.

Generally accepted accounting principles in the United States, or GAAP, are subject to interpretation by the Financial Accounting Standards Board, or FASB, the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant impact on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change. For example, in May 2014, the FASB issued Accounting Standards Update, or ASU, No. 2014-09, *Revenue from Contracts with Customers*, which will replace most existing revenue recognition guidance under GAAP when it becomes effective for us in 2017, although the FASB has proposed rules to defer its effectiveness until 2018. We have not yet determined the effect of this guidance on our financial condition or results of operations.

Risks Related to Our Class A Common Stock and This Offering

The market price of our Class A common stock may be volatile, and you could lose all or part of your investment.

Prior to the completion of this offering, there has been no public market for shares of our Class A common stock. We cannot assure you that an active trading market for our Class A common stock will develop, or, if developed, that any market will be sustained following this offering. If trading in our Class A common stock is not active, you may not be able to sell your shares as quickly as you would prefer, or at all. The initial public offering price of our Class A common stock will be determined through negotiation between us and the underwriters. This price will not necessarily reflect the price at which investors in the market will be willing to buy and sell shares of our Class A common stock following this offering. In addition, the market price of our Class A common stock following this offering is likely to be highly volatile. Accordingly, the market price of our Class A common stock after this offering may be higher or lower than the initial public offering price of our Class A common stock and could be subject to wide fluctuations in response to various factors, many of which may be beyond our control and may not be related to our overall financial or operating performance.

Fluctuations in the price of our Class A common stock could cause you to lose all or part of your investment because you may not be able to sell your shares at or above the price you paid in this offering. There are numerous factors that could cause fluctuations in the market price of our Class A common stock, including:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the market prices and trading volumes of software company stocks;
- changes in operating performance and stock market valuations of other software companies generally or those that sell cloud-based solutions within our targeted verticals in particular;
- sales of shares of our Class A common stock by us or our stockholders, or perceptions that such sales may occur;
- failure of securities analysts to maintain coverage of us, changes in financial estimates by securities analysts who follow us, or our failure to meet these estimates or the expectations of investors;
- the guidance we may provide to the public, any changes in that guidance or our failure to meet that guidance;
- announcements by us or our competitors of new products or services;

- the public's reaction to our press releases, other public announcements and filings with the SEC;
- rumors and market speculation involving us or other software companies;
- actual or anticipated changes in our operating results or fluctuations in our operating results;
- actual or anticipated developments in our business, our competitors' businesses or the competitive landscape generally;
- litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;
- developments or disputes concerning our intellectual property or other proprietary rights;
- announced or completed acquisitions of businesses or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- any significant change in our management; and
- general economic conditions and trends, including slow or negative growth of our markets.

In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and adversely affect the price of our Class A common stock.

The dual class structure of our common stock has the effect of concentrating voting control with those stockholders who held our capital stock prior to the completion of this offering, including our executive officers, directors and principal stockholders, which will limit your ability to influence corporate matters.

Our Class B common stock has 10 votes per share, and our Class A common stock, which is the stock we are offering in this offering, has one vote per share. Upon the completion of this offering, the holders of the outstanding shares of our Class B common stock, including our executive officers, directors, and principal stockholders, will collectively hold approximately % of the combined voting power of our outstanding capital stock. Because of the 10-to-one voting ratio between our Class B common stock and Class A common stock, the holders of our Class B common stock will collectively continue to control a majority of the combined voting power of our outstanding capital stock and will therefore be able to continue to exercise significant influence and control over the establishment and implementation of our future business plans and strategic objectives, as well as to control all matters submitted to our stockholders for approval. These persons may manage our business in ways with which you disagree and which may be adverse to your interests. This concentrated control may also have the effect of delaying, deterring or preventing a change-in-control transaction, depriving our stockholders of an opportunity to receive a premium for their capital stock or negatively affecting the market price of our Class A common stock.

Future transfers by holders of our Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions. The conversion of our Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of the holders of our Class B common stock who retain their shares over the long term.

Anti-takeover provisions contained in our amended and restated certificate of incorporation and amended and restated bylaws, as well as provisions of Delaware law, could impair a takeover attempt.

Our amended and restated certificate of incorporation that will be filed prior to the completion of this offering, and our amended and restated bylaws that will be in effect prior to the completion of this offering,

contain provisions that could have the effect of rendering more difficult hostile takeovers, change-in-control transactions or changes in our board of directors or management. Among other things, these provisions:

- authorize the issuance of preferred stock with powers, preferences and rights that may be senior to our common stock, which can be created and issued by our board of directors without prior stockholder approval;
- provide for the adoption of a staggered board of directors whereby the board is divided into three classes, each of which has a different three-year term;
- provide that the number of directors will be fixed by the board;
- prohibit our stockholders from filling board vacancies;
- provide for the removal of a director only for cause and then only by the affirmative vote of the holders of a majority of the combined voting power of our outstanding capital stock;
- prohibit stockholders from calling special stockholder meetings;
- prohibit stockholders from acting by written consent without holding a meeting of stockholders;
- require the vote of at least two-thirds of the combined voting power of our outstanding capital stock to approve amendments to our certificate of incorporation or bylaws;
- require advance written notice of stockholder proposals and director nominations;
- provide for a dual-class common stock structure, as discussed above; and
- require the approval of the holders of at least a majority of the outstanding shares of our Class B common stock, voting as a separate class, prior to consummating a change-in-control transaction.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, or DGCL, which may delay, deter or prevent a change-in-control transaction. Section 203 imposes certain restrictions on mergers, business combinations and other transactions between us and holders of 15% or more of our common stock.

Any provision of Delaware law, our amended and restated certificate of incorporation, or our amended and restated bylaws, that has the effect of rendering more difficult, delaying, deterring or preventing a change-in-control transaction could limit the opportunity for our stockholders to receive a premium for their shares of our capital stock, and could also affect the price that some investors are willing to pay for our Class A common stock.

After this offering, a total of 26,123,910 shares of our outstanding capital stock will be restricted from immediate resale but may be sold in the near future, which could depress the market price of our Class A common stock.

Prior to this offering, there has been no public market for shares of our Class A common stock, and a liquid trading market for our Class A common stock may not develop or be sustained after this offering. Future sales of a substantial number of shares of our Class A common stock in the public market after this offering, or the perception that such sales could occur, could adversely affect the market price of our Class A common stock prevailing from time to time after this offering and could impair our ability to raise equity capital in the future.

Based on the number of shares of our existing common stock outstanding as of March 31, 2015, upon the completion of this offering, a total of shares of our Class A common stock and 26,123,910 shares of our Class B common stock will be outstanding, after giving effect to the conversion and reclassification of all outstanding shares of our existing common stock and convertible preferred stock into shares of our Class B common stock prior to the completion of this offering.

Our executive officers, directors, director nominees and the holders of substantially all of the shares of our Class B common stock, and of options to purchase shares of our Class B common stock, are subject to lock-up agreements with the underwriters under which they have agreed, subject to specific exceptions, not to sell any of their shares of our Class A or Class B common stock for 180 days following the date of this prospectus.

The shares of our Class A common stock to be sold in this offering will generally be freely tradable in the public market without restriction under the Securities Act, unless these shares are purchased by our "affiliates," as that term is defined in Rule 144 under the Securities Act, or Rule 144. Subject to the lock-up agreements, and the provisions of Rule 144 and Rule 701 under the Securities Act, or Rule 701, as well as our insider trading policy, the 26,123,910 shares of our Class B common stock will be available for sale in the public market at various times beginning 181 days after the date of this prospectus.

Following the expiration of the lock-up agreements, stockholders holding approximately 17,006,679 shares of our Class B common stock will be entitled to registration rights with respect to the sale of the shares of our Class A common stock into which these shares are convertible.

In addition, we intend to file a registration statement under the Securities Act to register all of the shares of our common stock subject to options outstanding or reserved for issuance under the 2007 Plan, the 2015 Plan, and the ESPP. Shares registered under this registration statement will be freely tradable in the public market, subject to any vesting restrictions and lock-up agreements applicable to these shares.

Future sales of our Class A common stock could cause the market price of our Class A common stock to decline and make it more difficult for you to sell shares of our Class A common stock.

The purchase price of our Class A common stock might not reflect its value, and you may be diluted as a result of this offering and future equity issuances.

Based on the assumed initial public offering price of our Class A common stock of $ per share, which is the midpoint of the price range on the cover page of this prospectus, investors purchasing shares of our Class A common stock in this offering will experience immediate dilution in the pro forma net tangible book value per share of $ per share as of March 31, 2015. Investors purchasing shares of our Class A common stock in this offering will contribute approximately % of the total amount invested by stockholders since our inception, but will only own approximately % of the total number of shares of our common stock to be outstanding upon the completion of this offering. To the extent that, following the completion of this offering, any outstanding options to purchase shares of our Class B common stock are exercised, any new equity awards are issued under the 2015 Plan, or any shares are purchased under the ESPP, there will be further dilution to investors purchasing shares of our Class A common stock in this offering. In addition, in the future, we may choose to raise additional capital through the sale of shares of our Class A common stock, or other securities convertible into, or exercisable or exchangeable for, shares of our Class A common stock, due to our financial requirements, strategic considerations, general economic conditions, or otherwise. Any such issuance would result in further dilution to investors purchasing shares of our Class A common stock in this offering.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business, our market or our competitors, or if they adversely change their recommendations regarding our Class A common stock, the market price and trading volume of our Class A common stock could decline.

The trading market for our Class A common stock will be influenced by the research and reports that securities or industry analysts may publish about us, our business, our market or our competitors. If few analysts commence coverage of us, the market price for our Class A common stock could be negatively affected. If any of the analysts who may cover us adversely change their recommendations regarding our Class A common stock or provide more favorable recommendations about our competitors, the market price of our Class A common stock may decline. If any of the analysts who may cover us were to cease coverage of us or fail to publish reports on us regularly, visibility of our company in the financial markets could decrease, which in turn could cause the market price or trading volume of our Class A common stock to decline.

Our management team will have broad discretion over the use of proceeds and may invest or spend the proceeds of this offering in ways with which you may not agree or in ways which may not yield a return.

We intend to use the net proceeds to us from this offering primarily to expand research and product development, customer service, and sales and marketing, to maintain and expand our technology infrastructure and operational support, and for general corporate and working capital purposes. Our management team will retain broad discretion over the allocation of the net proceeds from this offering, and investors will be relying on the judgment of our management regarding the application of these net proceeds. These net proceeds may be used for corporate purposes that do not favorably affect our operating results or in a way with which you disagree. In addition, until we use the net proceeds from this offering, we plan to invest them, and these investments may not yield a favorable rate of return or may lose value. If we do not invest or apply the net proceeds from this offering in ways that enhance stockholder value, we may fail to achieve our strategic objectives and expected financial results, which could cause our stock price to decline.

We do not expect to declare any dividends in the foreseeable future.

We have never declared or paid any cash dividends on our existing common stock. We do not anticipate declaring or paying any cash dividends to holders of our Class A common stock in the foreseeable future and intend to retain all future earnings for the growth of our business. In addition, the terms of our credit facility restrict our ability to pay dividends. Consequently, investors may need to rely on sales of our Class A common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors should not purchase our Class A common stock with the expectation of receiving cash dividends.

Participation in this offering by certain of our existing stockholders would reduce the available public float for our shares.

Certain entities associated with our existing stockholders, including entities affiliated with IGSB, which is one of our principal stockholders and an affiliate of one of our directors and one of our director nominees, have indicated an interest in purchasing up to $25 million of shares of our Class A common stock in this offering, at the initial public offering price. Because these indications of interest are not binding agreements or commitments to purchase, such entities may elect to purchase more or fewer shares than they indicate an interest in purchasing or not to purchase any shares in this offering. In addition, the underwriters may elect to sell more or fewer shares or not to sell any shares in this offering to such entities. If such entities are allocated all or a portion of the shares they have indicated an interest to purchase in this offering and purchase any such shares, such purchase would reduce the available public float for our shares because such entities would be restricted from selling the shares by lock-up agreements they have entered into with the underwriters and by restrictions under applicable securities laws. As a result, any purchase of shares by such entities in this offering may reduce the liquidity of our Class A common stock relative to what it would have been had these shares been purchased by investors that were not existing stockholders.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the federal securities laws, which statements are subject to substantial risks and uncertainties. These forward-looking statements are principally contained in the sections entitled “Prospectus Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business,” although we make forward-looking statements throughout this prospectus. Forward-looking statements include all statements that are not statements of historical facts and can be identified by words such as “anticipates,” “believes,” “seeks,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts, “projects,” “should,” “could,” “will,” “would” or similar expressions and the negatives of those expressions. In particular, forward-looking statements contained in this prospectus relate to, among other things, our future or assumed financial condition, results of operations, business forecasts and plans, strategic plans and objectives, product development plans, capital needs and financing plans, use of proceeds from this offering, competitive position, industry environment, potential growth opportunities, potential market opportunities, acquisitions or divestitures, compensation plans and objectives, governance structure and policies, and the price of our Class A common stock.

Forward-looking statements represent our management’s current beliefs and assumptions based on information currently available. Forward-looking statements involve numerous known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We discuss these risks and uncertainties in greater detail in the section entitled “Risk Factors” and elsewhere in this prospectus. Given these risks and uncertainties, you should not place undue reliance on these forward-looking statements. You should read this prospectus, and the other documents that we have filed as exhibits to the registration statement of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from the results expressed or implied by these forward-looking statements.

Moreover, we operate in an evolving environment. New risks and uncertainties emerge from time to time and it is not possible for our management to predict all risks and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual future results to be materially different from those expressed or implied by any forward-looking statements.

Except as required by law, we assume no obligation to update any forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

We qualify all of our forward-looking statements by these cautionary statements.

INDUSTRY AND MARKET DATA

Unless otherwise indicated, certain information contained in this prospectus concerning our industry and the markets and verticals in which we operate, including our market opportunity, is based on data from various sources. In presenting this information, we have also made assumptions based on such data and other similar sources, and on our knowledge of, and our experience to date in, our industry and the markets and verticals in which we operate. This information involves a number of important estimates and limitations. Although neither we nor the underwriters have independently verified the accuracy or completeness of any information provided by third parties, we believe the information included in this prospectus is reliable.

Our industry and the markets and verticals in which we operate are subject to a high degree of risk and uncertainty due to a variety of factors, including those described in the section entitled “Risk Factors.” These risks and uncertainties could cause assumptions made by us or third parties to be inaccurate, and could cause actual results to differ materially from those expressed in the estimates made by us or third parties.

Certain information in this prospectus is contained in independent industry publications. This information is identified with a superscript number. This information is contained in the following independent industry publications, which are publicly available:

(1) Parallels, “SMB Cloud Insights for Global 2014,” February 2014;

(2) Parallels, “SMB Cloud Insights for United States 2014,” February 2014; and

(3) Deloitte, “Small Business, Big Technology: How the Cloud Enables Rapid Growth in SMBs,” September 2014.

USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of $ million, or $ million if the underwriters exercise in full their option to purchase additional shares of our Class A common stock, assuming an initial public offering price of $ per share, which is the midpoint of the price range on the cover page of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share, which is the midpoint of the price range on the cover page of this prospectus, would increase (decrease) the net proceeds to us from this offering by $ million, assuming the number of shares of Class A common stock offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. An increase (decrease) of 1.0 million shares in the number of shares of Class A common stock offered by us would increase (decrease) the net proceeds to us from this offering by $ million, assuming the assumed initial public offering price of $ per share remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The principal purposes of this offering are to obtain additional capital, enhance our financial flexibility, increase our visibility in the marketplace and create a public market for our Class A common stock. We intend to use the net proceeds from this offering primarily (i) to expand research and product development, customer service, and sales and marketing, including hiring new personnel across our organization, (ii) to maintain and expand our technology infrastructure and operational support, and (iii) for general corporate and working capital purposes. We also intend to repay $10.0 million of the indebtedness outstanding under our credit facility with Wells Fargo Bank, N.A. Our credit facility requires us to pay a prepayment premium of 2% of the amount prepaid in the event of prepayment from the proceeds of an initial public offering. Our credit facility matures in 2020, and borrowings bear interest at a fluctuating rate, as further discussed in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.” As of March 31, 2015, the outstanding borrowings under our credit facility were $10.0 million. The outstanding borrowings under our credit facility were used for working capital and general corporate purposes.

In addition, we may in the future enter into arrangements to acquire or invest in complementary businesses, services, technologies or intellectual property rights. However, we have no agreements or commitments with respect to any such acquisitions or investments at this time.

Our expected uses of the net proceeds from this offering are based upon our present plans, objectives and business condition. As of the date of this prospectus, we cannot predict with certainty all of the particular uses for the net proceeds from this offering, and management has not estimated the amount of proceeds, or the range of proceeds, to be used for any particular purpose. The amounts and timing of our actual uses of net proceeds will vary depending on numerous factors, including the factors described in the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.” As a result, our management will retain broad discretion over the allocation of the net proceeds from this offering, and investors will be relying on our management’s judgment regarding the application of the net proceeds.

Pending the use of the net proceeds from this offering, consistent with our investment policy, we intend to invest the net proceeds in investment grade, short-term interest-bearing obligations, such as money-market funds, certificates of deposit, or direct or guaranteed obligations of the United States government, or hold the net proceeds as cash. We cannot predict whether any net proceeds invested will yield a favorable return.

DIVIDEND POLICY

We have never declared or paid any cash dividends on our capital stock. We have no plans to declare or pay any dividends on our capital stock in the foreseeable future and intend to retain all future earnings, if any, generated by our operations for the growth of our business. Any future decision to declare or pay dividends will be made by our board of directors in its sole discretion and will depend upon our financial condition, results of operations, capital requirements, general economic conditions and other factors that our board of directors deems relevant at the time of its decision. Investors should not purchase our Class A common stock with the expectation of receiving cash dividends.

In addition, the terms of our credit facility restrict our ability to pay dividends. See the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” for additional information.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of March 31, 2015:

- on an actual basis;
- on a pro forma basis to give effect to the filing and effectiveness of our amended and restated certificate of incorporation and the conversion and reclassification of all outstanding shares of our existing common stock and convertible preferred stock into an aggregate of 26,123,910 shares of our Class B common stock, as if such filing, effectiveness, conversion and reclassification had occurred on March 31, 2015; and
- on a pro forma as adjusted basis to give effect to (i) the pro forma adjustments set forth above, (ii) the issuance and sale by us of shares of our Class A common stock in this offering, and the receipt of the net proceeds from our sale of these shares at an assumed initial public offering price of $ per share, which is the midpoint of the price range on the cover page of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, and (iii) the repayment of $10.0 million of the indebtedness outstanding under our credit facility and a 2% prepayment premium, as described in the section entitled "Use of Proceeds."

The unaudited pro forma and pro forma as adjusted information below is illustrative only, and the actual cash and cash equivalents, total stockholders' (deficit) equity and total capitalization upon the completion of this offering will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing.

You should read this table in conjunction with the sections entitled "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Description of Capital Stock," as well as our consolidated financial statements and the related notes included elsewhere in this prospectus.

	As of March 31, 2015		
	Actual	Pro Forma	Pro Forma as Adjusted
	(in thousands, except par value)		
Cash and cash equivalents	$ 12,034	$ 12,034	$
Debt, current and non-current portion	9,564	9,564	
Convertible preferred stock, par value $0.0001; 68,027 shares authorized, issued and outstanding, actual; no shares authorized, issued and outstanding, pro forma and pro forma as adjusted	63,166	—	—
Stockholders' (deficit) equity:			
Preferred stock, par value $0.0001; no shares authorized, issued and outstanding, actual; 25,000 shares authorized, no shares issued and outstanding, pro forma and pro forma as adjusted	—	—	—
Existing common stock, par value $0.0001; 123,000 shares authorized, 9,117 shares issued and outstanding, actual; no shares authorized, issued and outstanding, pro forma and pro forma as adjusted	1	—	—
Class A common stock, par value $0.0001; no shares authorized, issued and outstanding, actual; 250,000 shares authorized, no shares issued and outstanding, pro forma; 250,000 shares authorized, shares issued and outstanding, pro forma as adjusted	—	—	
Class B common stock, par value $0.0001; no shares authorized, issued and outstanding, actual; 50,000 shares authorized, 26,124 shares issued and outstanding, pro forma and pro forma as adjusted	—	2	
Additional paid-in capital	1,778	64,943	
Accumulated deficit	(56,632)	(56,632)	
Total stockholders' (deficit) equity	(54,853)	8,313	
Total capitalization	$ 17,877	$ 17,877	$

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share, which is the midpoint of the price range on the cover page of this prospectus, would increase (decrease) our pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders' equity and total capitalization by $ million, assuming the number of shares of Class A common stock offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. An increase (decrease) of 1.0 million shares in the number of shares of Class A common stock offered by us would increase (decrease) our pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders' equity and total capitalization by $ million, assuming the assumed initial public offering price of $ per share remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters exercise in full their option to purchase additional shares of our Class A common stock, and assuming the assumed initial public offering price of $ per share, which is the midpoint of the price range on the cover page of this prospectus, remains the same, the pro forma as adjusted cash and cash equivalents, additional paid-in capital, total stockholders' equity and total capitalization would increase by approximately $ million, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. In that event, we would have shares of our Class A common stock issued and outstanding on a pro forma as adjusted basis.

The table and discussion above are based on no shares of our Class A common stock and 26,123,910 shares of our Class B common stock outstanding as of March 31, 2015, and exclude:

- 1,319,804 shares of our Class B common stock issuable upon the exercise of outstanding options to purchase shares of our Class B common stock under the 2007 Plan as of March 31, 2015, at a weighted average exercise price of $3.51 per share;
- 2,000,000 shares of our Class A common stock reserved for future issuance under the 2015 Plan, which will become effective on the day immediately prior to the effective date of the registration statement of which this prospectus is a part; and
- 500,000 shares of our Class A common stock reserved for future issuance under the ESPP, which will become effective on the day immediately prior to the effective date of the registration statement of which this prospectus is a part.

The 2015 Plan and the ESPP each provide for automatic annual increases in the number of shares reserved thereunder. We have determined not to make any further awards under the 2007 Plan upon completion of this offering. See the section entitled "Executive Compensation—Stock Incentive Plans" for additional information.

DILUTION

If you invest in our Class A common stock in this offering, your ownership interest will be diluted to the extent of the difference between the initial public offering price per share of our Class A common stock and the pro forma as adjusted net tangible book value per share of our common stock upon completion of this offering.

Our historical net tangible book value (deficit) as of March 31, 2015 was $(0.1) million, or $(0.01) per share of our existing common stock. Historical net tangible book value per share represents the amount of our total tangible assets (total assets less intangible assets) reduced by the amount of our total liabilities and divided by the total number of shares of our existing common stock outstanding as of the date of the calculation.

On a pro forma basis, after giving effect to the conversion and reclassification of all outstanding shares of our existing common stock and convertible preferred stock into 26,123,910 shares of our Class B common stock prior to the completion of this offering, our net tangible book value (deficit) as of March 31, 2015 would have been $(0.1) million, or $0.00 per share of our Class B common stock.

Investors purchasing shares of our Class A common stock in this offering will incur immediate and substantial dilution. After giving effect to the sale of our Class A common stock in this offering, assuming an initial public offering price of $ per share, which is the midpoint of the price range on the cover page of this prospectus, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of March 31, 2015 would have been $ million, or $ per share of our common stock. This represents an immediate increase in pro forma as adjusted net tangible book value of $ per share to existing stockholders, and an immediate dilution of $ per share to investors purchasing shares of our Class A common stock in this offering.

The following table illustrates this per share dilution:

Assumed initial public offering price per share		$
Historical net tangible book value per share as of March 31, 2015	$(0.01)	
Increase in pro forma net tangible book value per share attributable to the conversion and reclassification of all outstanding shares of our existing common stock and convertible preferred stock into 26,123,910 shares of our Class B common stock prior to the completion of this offering	0.01	
Pro forma net tangible book value per share as of March 31, 2015	0.00	
Increase in pro forma net tangible book value per share attributable to investors purchasing in this offering		
Pro forma as adjusted net tangible book value per share upon the completion of this offering		
Dilution in pro forma net tangible book value per share to investors purchasing in this offering		$

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share, which is the midpoint of the price range on the cover page of this prospectus, would increase (decrease) our pro forma as adjusted net tangible book value per share upon the completion of this offering by $, assuming that the number of shares of Class A common stock offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. An increase (decrease) of 1.0 million shares in the number of shares of our Class A common stock offered by us would increase (decrease) our pro forma as adjusted net tangible book value per share after this offering by $ per share and increase (decrease) the dilution to new investors by $ per share, assuming the assumed initial public offering price of $ per share remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

If the underwriters exercise in full their option to purchase additional shares of our Class A common stock, and assuming the assumed initial public offering price of $ per share, which is the midpoint of the price range on the cover page of this prospectus, remains the same, the pro forma as adjusted net tangible book value per share would be approximately $ per share, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The following table summarizes, as of March 31, 2015, on the pro forma as adjusted basis described above, the differences between the number of shares of our common stock purchased from us, after giving effect to the conversion and reclassification of all outstanding shares of our existing common stock and convertible preferred stock into shares of our Class B common stock prior to the completion of this offering, the total cash consideration paid in this offering and the average price per share paid by our existing stockholders and by investors purchasing shares of our Class A common stock in this offering at an assumed initial public offering price of $ per share, which is the midpoint of the price range on the cover page of this prospectus, before deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders before this offering	26,123,910	%	$	%	$
Investors purchasing in this offering					
Total		100.0%	$	100.0%	

Certain entities associated with our existing stockholders, including entities affiliated with IGSB, which is one of our principal stockholders and an affiliate of one of our directors and one of our director nominees, have indicated an interest in purchasing up to $25 million of shares of our Class A common stock in this offering, at the initial public offering price. However, because indications of interest are not binding agreements or commitments to purchase, the foregoing discussion and table do not reflect the potential purchase of any shares in this offering by entities associated with our existing stockholders.

If the underwriters exercise in full their option to purchase additional shares of our Class A common stock, the number of shares of our common stock held by existing stockholders will be reduced to % of the total number of shares of our common stock to be outstanding upon the completion of this offering, and the number of shares of our common stock held by investors purchasing in this offering will be increased to % of the total number of shares of our common stock to be outstanding upon the completion of this offering.

The table and discussion above are based on no shares of our Class A common stock and 26,123,910 shares of our Class B common stock outstanding as of March 31, 2015, and exclude:

- 1,319,804 shares of our Class B common stock issuable upon the exercise of outstanding options to purchase shares of our Class B common stock under the 2007 Plan as of March 31, 2015, at a weighted average exercise price of $3.51 per share;
- 2,000,000 shares of our Class A common stock reserved for future issuance under the 2015 Plan, which will become effective on the day immediately prior to the effective date of the registration statement of which this prospectus is a part; and
- 500,000 shares of our Class A common stock reserved for future issuance under the ESPP, which will become effective on the day immediately prior to the effective date of the registration statement of which this prospectus is a part.

The 2015 Plan and the ESPP each provide for automatic annual increases in the number of shares reserved thereunder. We have determined not to make any further awards under the 2007 Plan upon completion of this offering. See the section entitled “Executive Compensation—Stock Incentive Plans” for additional information.

To the extent that any outstanding options to purchase shares of our Class B common stock are exercised, any new equity awards are issued under the 2015 Plan, or any shares are purchased under the ESPP, there will be further dilution to investors purchasing shares of our Class A common stock in this offering. In addition, in the future, we may choose to raise additional capital through the sale of shares of our Class A common stock, or other securities convertible into, or exercisable or exchangeable for, shares of our Class A common stock, due to our financial requirements, strategic considerations, general economic conditions, or otherwise. Any such issuance would result in further dilution to investors purchasing shares of our Class A common stock in this offering.

SELECTED CONSOLIDATED FINANCIAL DATA

The following tables provide our historical selected consolidated financial data for the periods indicated. We have derived the selected consolidated statements of operations data for the fiscal years ended December 31, 2013 and 2014 and the selected consolidated balance sheet data as of December 31, 2013 and 2014 from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the selected consolidated statements of operations data for the fiscal year ended December 31, 2012 and the selected consolidated balance sheet data as of December 31, 2012 from our audited consolidated financial statements, which are not included in this prospectus. We have derived the selected consolidated statements of operations data for the three months ended March 31, 2014 and 2015 and the selected consolidated balance sheet data as of March 31, 2015 from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. Our unaudited interim condensed consolidated financial statements were prepared on a basis consistent with that used to prepare our audited annual consolidated financial statements and include, in the opinion of management, all adjustments, consisting of normal and recurring items, necessary for the fair statement of the condensed consolidated financial statements. Our historical results are not necessarily indicative of the results we expect in the future, and our interim results are not necessarily indicative of the results to be expected for the full year or any other period.

The following selected consolidated financial data should be read in conjunction with, and are qualified in their entirety by reference to, the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	Year Ended December 31,			Three Months Ended March 31,	
	2012	2013	2014	2014	2015
	(in thousands, except per share data)				
Consolidated Statements of Operations Data:					
Revenue	$ 12,706	$26,542	$47,671	$ 9,834	$15,848
Costs and operating expenses:					
Cost of revenue (exclusive of depreciation and amortization)(1)	8,211	13,616	22,555	4,686	7,065
Sales and marketing(1)	8,001	10,337	16,876	3,490	5,709
Research and product development(1)	4,067	5,057	6,505	1,145	2,009
General and administrative(1)	2,736	2,286	6,489	899	3,392
Depreciation and amortization	2,079	2,850	3,805	817	1,183
Total costs and operating expenses	25,094	34,146	56,230	11,037	19,358
Operating loss	(12,388)	(7,604)	(8,559)	(1,203)	(3,510)
Other income (expense), net	—	287	(121)	(68)	(2)
Interest income (expense), net	72	12	59	26	(32)
Loss before income taxes	(12,316)	(7,305)	(8,621)	(1,245)	(3,544)
Provision for income taxes	—	—	—	—	74
Net loss	$(12,316)	$ (7,305)	$ (8,621)	$ (1,245)	$ (3,618)
Net loss per share, basic and diluted(2)	$ (1.52)	$ (0.87)	$ (0.98)	$ (0.14)	$ (0.41)
Weighted average common shares outstanding, basic and diluted	8,104	8,437	8,757	8,603	8,913
Pro forma net loss per share, basic and diluted (unaudited)(2)			$ (0.33)		$ (0.14)
Pro forma weighted average common shares outstanding, basic and diluted (unaudited)			25,764		25,920

(1) Includes stock-based compensation expense as follows (in thousands):

	Year Ended December 31,			Three Months Ended March 31,	
	2012	2013	2014	2014	2015
Cost of revenue (exclusive of depreciation and amortization)	$ 49	$ 63	$ 68	$ 16	$ 24
Sales and marketing	41	39	48	10	23
Research and product development	48	49	19	7	5
General and administrative	110	96	757	16	81
Total stock-based compensation expense	$ 248	$ 247	$ 892	$ 49	$ 133

(2) See Note 2 of the notes to our consolidated financial statements and our condensed consolidated financial statements for an explanation of the basic and diluted net loss per share of our common stock, and the pro forma basic and diluted net loss per share.

	As of December 31,			As of March 31, 2015		
	2012	2013	2014	Actual	Pro Forma(1)	Pro Forma As Adjusted(2)
	(in thousands)					
Consolidated Balance Sheet Data:						
Cash and cash equivalents	$ 3,943	$ 11,269	$ 5,412	$ 12,034	$ 12,034	$
Total assets	22,109	27,707	25,434	36,014	36,014	
Deferred revenue	2,289	2,943	3,780	4,235	4,235	
Convertible preferred stock	51,288	63,166	63,166	63,166	—	
Total stockholders' (deficit) equity	(36,984)	(43,959)	(51,467)	(54,853)	8,313	

(1) The pro forma column gives effect to the filing and effectiveness of our amended and restated certificate of incorporation and the conversion and reclassification of all outstanding shares of our existing common stock and convertible preferred stock into an aggregate of 26,123,910 shares of our Class B common stock, as if such filing, effectiveness, conversion and reclassification had occurred on March 31, 2015.

(2) The pro forma as adjusted column gives effect to (i) the pro forma adjustments set forth above, (ii) the issuance and sale by us of shares of our Class A common stock in this offering, and the receipt of the net proceeds from our sale of these shares at an assumed initial public offering price of $ per share, which is the midpoint of the price range on the cover page of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, and (iii) the repayment of $10.0 million of the indebtedness outstanding under our credit facility and a 2% prepayment premium, as described in the section entitled "Use of Proceeds." A $1.00 increase (decrease) in the assumed public offering price of $ per share would increase (decrease) our pro forma as adjusted cash and cash equivalents, total assets and stockholders' (deficit) equity by approximately $ million, assuming the number of shares of Class A common stock offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read together with the section entitled "Selected Consolidated Financial Data" and our consolidated financial statements and the related notes included elsewhere in this prospectus. This discussion and analysis contains forward-looking statements that are based on our current expectations and reflect our plans, estimates and anticipated future financial performance. These statements involve numerous risks and uncertainties. Our actual results may differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including those set forth below and under the section entitled "Risk Factors."

Overview

We provide industry-specific, cloud-based software solutions for SMBs in the property management and legal industries. Our platform is designed to be the system of record to automate essential business processes and the system of engagement to enhance business interactions between our customers and their clients and vendors. Our mobile-optimized software solutions have a user-friendly interface across multiple devices, enabling our customers to work at any time and from anywhere. Our property management software provides small and medium-sized property managers with an end-to-end solution to their business needs, enabling them to manage properties quickly and easily in a single, integrated environment. Our legal software provides solo practitioners and small law firms with a streamlined practice and case management solution, allowing them to manage their practices and case load seamlessly within a flexible system. We also offer optional, but often mission-critical, Value+ services, such as our professionally designed websites and electronic payment services, which are seamlessly built into our core solutions.

We were formed in 2006 with a vision to revolutionize the way that SMBs grow and compete. We initially chose to enter the market for property management because it met our criteria for selecting industries that cloud-based solutions are ideally suited to address, including the prevalence of unique workflows and relationships among multiple industry participants. We launched our first product, APM, a property management solution, in 2008. Recognizing that our customers would benefit from additional mission-critical services that they can purchase as needed, we launched our first Value+ service in 2009 by offering website design and hosting services to our property manager customers. Our websites give our customers a professional online presence and serve as the hub for our system of engagement. In 2010, we commenced the roll out of our electronic payments platform with the introduction of ACH payment processing and, in 2011, we launched resident screening as additional Value+ services. In 2012, we introduced our tenant liability insurance program as a further Value+ service. Also in 2012, after completing our market validation process, we decided to enter the legal market. We expedited our time-to-market by acquiring MyCase, a legal practice and case management solution, and we leveraged our AppFolio Business System, including our experience gained in the property management vertical, to advance our software solution in the legal vertical. In 2013, we extended our website design and hosting services to our law firm customers and expanded our electronic payments platform by allowing residents to pay rent by Electronic Cash Payment and credit or debit card. In 2014, we launched an additional Value+ service for our property manager customers with our contact center to resolve or route incoming maintenance requests. Through our disciplined market validation approach and ongoing investment in product development, we continuously update our software solutions through new and innovative core functionality and Value+ services, as well as assess opportunities in adjacent markets and new verticals.

We sell our core solutions and Value+ services through a direct sales force and online through free trials. We offer our core solutions to customers on a subscription basis, with subscription fees designed to scale to the size of their businesses. Customers who adopt our Value+ services pay either subscription fees or usage-based fees, depending on the Value+ service. We also charge one-time fees in connection with certain services, such as on-boarding and website design services. We do not separately charge customers for ongoing training and support, which we believe is critical to retaining customers and increasing adoption and utilization of our Value+ services.

Our property manager customers include third-party managers and owner-operators that manage single- and multi-family residences, commercial property and student housing, as well as mixed real estate portfolios. Our property manager customers typically manage portfolios ranging from 20 to 3,000 units. Our customers in the legal vertical are generally solo practitioners and small law firms with less than 20 lawyers. The businesses of our property manager customers are typically significantly larger than those of our law firm customers.

We have focused on growing our revenue by increasing the size of our customer base, retaining customers and increasing the adoption and utilization of our Value+ services by new and existing customers. We have achieved significant customer growth in a relatively short period of time. We define our customer base as the number of customers subscribing to our core solutions, exclusive of free trials, as identified by a unique customer identification code. We grew our property manager customers from 4,471 as of March 31, 2014 to 6,491 as of March 31, 2015, representing a period-over-period increase of 45%. We grew our law firm customers from 2,218 as of March 31, 2014 to 4,253 as of March 31, 2015, representing a period-over-period increase of 92%.

An important element of our ability to generate revenue is our success in maintaining and growing our relationships with our existing customers. We generate additional revenue primarily as a result of our customers purchasing our Value+ services and increasing their usage of our Value+ services. Our ability to maintain and grow relationships with our existing customers can be measured by our annual dollar-based net expansion rate for a given fiscal year, which compares the revenue generated from the sale of our core solutions and Value+ services in that year and the preceding year (or base year) from our base customers. We establish our base customers by determining the customers from which we generated revenues during the month of December in the year preceding the base year. We then calculate our annual dollar-based net expansion rate for a given fiscal year by dividing (i) revenue generated from the sale of our core solutions and Value+ services in the given fiscal year from our base customers by (ii) revenue generated from the sale of our core solutions and Value+ services in the base year from our base customers. As of December 31, 2014, our annual dollar-based net expansion rate was 133% for our property manager customers and 100% for our law firm customers.

We evaluated the success of our business during the periods presented based on factors such as the development and launch of new and innovative core functionality and Value+ services, enhancements to user experience, customer satisfaction, growth in our revenue and customer base, fluctuations in costs and operating expenses as a percentage of revenue, operating loss or income and cash flows from operating activities. We have managed, and plan to continue to manage, our business towards the achievement of long-term growth that we believe will positively impact long-term stockholder value, and not towards the realization of short-term financial or business metrics, or short-term stockholder value.

We have invested in growth in a disciplined manner across our organization. As a result, our costs and operating expenses have increased significantly in absolute dollars primarily due to our significant growth in employees and personnel-related costs. For example, we increased our employee headcount from 269 employees as of March 31, 2014 to 430 employees as of March 31, 2015, representing a period-over-period increase of 60%. We intend to continue to invest across our organization. These investments to grow our business will continue to increase our costs and operating expenses on an absolute basis. Many of these investments will occur in advance of our realization of revenue or any other benefit and will make it difficult to determine if we are allocating our resources efficiently. We expect cost of revenue, research and product development expense, sales and marketing expense, and general and administrative expense to decrease as a percentage of revenue over the long term as revenue increases and we gain additional operating leverage in our business. As a result of this increased operating leverage, we expect our operating margins will improve over the long term.

To date, we have experienced rapid revenue growth due to our investments in research and product development, sales and marketing, customer service and support, and infrastructure. During the periods presented, we have derived more than 90% of our revenue from our property management solution, as it has been available for a longer period of time, is more established within its vertical with a larger customer base, and currently offers a greater number of Value+ services. For the years ended December 31, 2013 and 2014, our total revenue was $26.5 million and $47.7 million, respectively, representing year-over-year growth of 80%, and our

total net losses were $7.3 million and $8.6 million, respectively. For the three months ended March 31, 2014 and 2015, our total revenue was $9.8 million and $15.8 million, respectively, representing period-over-period growth of 61%, and our total net losses were $1.2 million and $3.6 million, respectively.

Key Components of Results of Operations

Revenue

We charge our customers on a subscription basis for our core solutions and many of our Value+ services. Our subscription fees are designed to scale to the size of our customers' businesses. We recognize subscription revenue ratably over the terms of the subscription agreements, which range from one month to one year. We generally invoice our customers for subscription services in monthly, quarterly or annual installments, typically in advance of the subscription period. As a result, we do not have significant deferred revenue because our invoicing is generally for periods less than one year. Revenue from subscription services is impacted by the change in the number and type of our customers, the size and needs of our customers' businesses, our customer renewal rates, and the level of adoption of our Value+ subscription services by new and existing customers.

We also charge our customers usage-based fees for using certain Value+ services, although fees for electronic payment processing are generally paid by the clients of our customers. Usage-based fees are charged on a flat fee per transaction basis with no minimum usage commitments. We recognize revenue for usage-based services in the period the service is rendered. We generally invoice our customers for usage-based services on a monthly basis for services rendered in the preceding month. Revenue from usage-based services is impacted by the change in the number and type of our customers, the size and needs of our customers' businesses, and the level of adoption and utilization of our Value+ usage-based services by new and existing customers.

We also offer our customers assistance with on-boarding our core solutions, as well as website design services. These services are generally purchased as part of a subscription agreement, and are typically performed within the first several months of the arrangement. We recognize revenue for these one-time services upon completion of the related service. We generally invoice our customers for one-time services in advance of the services being completed.

Costs and Operating Expenses

Cost of Revenue. Cost of revenue consists of personnel-related costs (including salaries, incentive-based compensation, benefits, and stock-based compensation) for our employees focused on customer service and the support of our operations, platform infrastructure costs (such as data center operations and hosting-related costs), fees paid to third-party service providers, payment processing fees, and allocated shared costs. We typically allocate shared costs across our organization based on headcount within the applicable part of our organization. Cost of revenue excludes amortization of capitalized software development costs and acquired technology. We intend to continue to invest in customer service and support, and the expansion of our technology infrastructure, as we grow the number of our customers and roll out additional Value+ services.

Sales and Marketing. Sales and marketing expense consists of personnel-related costs (including salaries, sales commissions, incentive-based compensation, benefits, and stock-based compensation) for our employees focused on sales and marketing, costs associated with sales and marketing activities, and allocated shared costs. Marketing activities include advertising, online lead generation, lead nurturing, customer and industry events, industry-related content creation and collateral creation. Sales commissions and other incremental costs to acquire customers and grow adoption and utilization of our Value+ services by new and existing customers are expensed as incurred. We focus our sales and marketing efforts on generating awareness of our software solutions, creating sales leads, establishing and promoting our brands, and cultivating an educated community of successful and vocal customers. We intend to continue to invest in sales and marketing to increase the size of our customer base and increase the adoption and utilization of Value+ services by our new and existing customers.

Research and Product Development. Research and product development expense consists of personnel-related costs (including salaries, incentive-based compensation, benefits, and stock-based compensation) for our employees focused on research and product development, fees for third-party development resources, and allocated shared costs. Our research and product development efforts are focused on enhancing the ease of use and functionality of our existing software solutions by adding new core functionality, Value+ services and other improvements, as well as developing new products. We capitalize the portion of our software development costs that meets the criteria for capitalization. Amortization of software development costs is included in depreciation and amortization expense. We intend to continue to invest in research and product development as we continue to introduce new core functionality, roll out new Value+ services, develop new products, and expand into adjacent markets and new verticals.

General and Administrative. General and administrative expense consists of personnel-related costs (including salaries, incentive-based compensation, benefits, and stock-based compensation) for employees in our executive, finance, information technology, or IT, human resources and administrative organizations. In addition, general and administrative expense includes fees for third-party professional services (including consulting, legal and audit services), other corporate expenses, and allocated shared costs. We intend to incur incremental costs associated with supporting the growth of our business, both in terms of increased headcount and to meet the increased reporting requirements and compliance obligations associated with our transition to, and operation as, a public company. Such costs will include increases in our finance, IT, human resources and administrative personnel, additional consulting, legal and audit fees, insurance costs, board of directors' compensation, the cost of achieving and maintaining compliance with Section 404 of the Sarbanes-Oxley Act, and other costs associated with being a public company.

Depreciation and Amortization. Depreciation and amortization expense includes depreciation of property and equipment, amortization of capitalized software development costs and amortization of intangible assets. We depreciate or amortize property and equipment, software development costs and intangible assets over their expected useful lives on a straight-line basis, which approximates the pattern in which the economic benefits of the assets are consumed. Accounting guidance for internal-use software costs require that we capitalize and then amortize qualifying internal-use software costs, rather than expense costs as incurred, which has the impact of shifting these expenses to a future period and reducing the impact of these costs on our financial results in the current period. As we continue to invest in our research and product development organization and the development or acquisition of new technology, we expect to have increased capitalized software development costs and incremental amortization.

Results of Operations

The following table sets forth our results of operations for the periods presented in dollars (in thousands) and as a percentage of revenue:

	Year Ended December 31,				Three Months Ended March 31,			
	2013		2014		2014		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Consolidated Statements of Operations Data:								
Revenue	$26,542	100%	$47,671	100%	$ 9,834	100%	$15,848	100%
Costs and operating expenses:								
Cost of revenue (exclusive of depreciation and amortization)	13,616	51	22,555	47	4,686	48	7,065	45
Sales and marketing	10,337	39	16,876	35	3,490	35	5,709	36
Research and product development	5,057	19	6,505	14	1,145	12	2,009	13
General and administrative	2,286	9	6,489	14	899	9	3,392	21
Depreciation and amortization	2,850	11	3,805	8	817	8	1,183	7
Total costs and operating expenses	34,146	129	56,230	118	11,037	112	19,358	122
Operating loss	(7,604)	(29)	(8,559)	(18)	(1,203)	(12)	(3,510)	(22)
Other income (expense), net	287	1	(121)	—	(68)	(1)	(2)	—
Interest income (expense), net	12	—	59	—	26	—	(32)	—
Loss before income taxes	(7,305)	(28)	(8,621)	(18)	(1,245)	(13)	(3,544)	(22)
Provision for income taxes	—	—	—	—	—	—	74	(1)
Net loss	$ (7,305)	(28)%	$ (8,621)	(18)%	$ (1,245)	(13)%	$ (3,618)	(23)%

Comparison of the Three Months Ended March 31, 2014 and 2015

Revenue

	Three Months Ended March 31,		Change	
	2014	2015	Amount	%
	(dollars in thousands)			
Revenue	$9,834	$ 15,848	$6,014	61%

Revenue increased $6.0 million, or 61%, for the three months ended March 31, 2015 compared to the three months ended March 31 2014, reflecting mainly increased revenue from our property manager customers. The overall increase was primarily a result of an increase in revenue from our core solutions from $4.8 million to $7.1 million, or 48%, driven by growth in the number of our customers and strong customer renewal rates. The increase was also attributable to an increase in revenue from our Value+ services from $4.4 million to $7.7 million, or 75%, primarily attributable to increased usage of our electronic payments platform, which was expanded at the end of 2013 to allow residents to pay rent by credit or debit card, and increased usage of our screening services by a larger customer base. The increase of $0.4 million, or 67%, in other revenue from $0.6 million to $1.0 million was a result of an increase in fees for on-boarding our core solutions, as well as an increase in website design services, driven by growth in the number of new customers from the three months ended March 31, 2014 to the three months ended March 31, 2015.

Cost of Revenue (Exclusive of Depreciation and Amortization)

	Three Months Ended March 31,		Change	
	2014	2015	Amount	%
	(dollars in thousands)			
Cost of revenue (exclusive of depreciation and amortization)	$ 4,686	$ 7,065	$2,379	51%

Cost of revenue (exclusive of depreciation and amortization) increased $2.4 million, or 51%, for the three months ended March 31, 2015 compared to the three months ended March 31, 2014. The increase was primarily a result of an increase in third-party costs of $1.2 million incurred to support the delivery of our software solutions, an increase in personnel-related costs of $0.8 million, and an increase in allocated costs of $0.3 million. The increase in third-party costs primarily relates to increased expenditures associated with increased adoption and utilization of certain Value+ services by our new and existing customers. The increase in personnel-related costs was primarily due to a substantial increase in headcount within our customer service and support organization. The increase in allocated costs primarily relates to an increase in overhead costs, such as facility and IT costs, as we continued to expand our operations to support our growth.

Sales and Marketing

	Three Months Ended March 31,		Change	
	2014	2015	Amount	%
	(dollars in thousands)			
Sales and marketing	$ 3,490	$ 5,709	$2,219	64%

Sales and marketing expense increased $2.2 million, or 64%, for the three months ended March 31, 2015 compared to the three months ended March 31, 2014. The increase was primarily a result of an increase in personnel-related costs of $1.3 million, an increase in marketing program costs of $0.6 million, and an increase in allocated costs of $0.2 million. The increase in personnel-related costs was primarily due to a substantial increase in headcount within our sales and marketing organization, an increase in sales commissions due to our revenue growth, and other incentive-based compensation. The increase in marketing program costs was primarily due to an expansion of online lead generation marketing programs to acquire new customers and marketing programs designed to expand adoption and utilization of our Value+ services by new and existing customers. The increase in allocated costs primarily relates to an increase in overhead costs, such as facility and IT costs, as we continued to expand our operations to support our growth.

Research and Product Development

	Three Months Ended March 31,		Change	
	2014	2015	Amount	%
	(dollars in thousands)			
Research and product development	$ 1,145	$ 2,009	$ 864	75%

Research and product development expense increased $0.9 million, or 75%, for the three months ended March 31, 2015 compared to the three months ended March 31, 2014. The increase was primarily a result of an increase in personnel-related costs, net of capitalized software development costs, of $0.7 million, and an increase in allocated costs of $0.1 million. The increase in personnel-related costs was primarily due to a substantial increase in headcount within our research and product development organization. The increase in allocated costs primarily relates to an increase in overhead costs, such as facility and IT costs, as we continued to expand our operations to support our growth.

General and Administrative

	Three Months Ended March 31,		Change	
	2014	2015	Amount	%
	(dollars in thousands)			
General and administrative	$ 899	$ 3,392	$2,493	277%

General and administrative expense increased $2.5 million, or 277%, for the three months ended March 31, 2015 compared to the three months ended March 31, 2014. The increase was primarily a result of an increase in personnel-related costs of $0.7 million, legal fees of $0.2 million related to our acquisition of RentLinx, an accrual for a $0.6 million payment to a third-party service provider to expedite our transition to a new third-party partner, and an increase in other costs of $1.0 million. The increase in personnel-related costs was primarily due to a substantial increase in headcount within our finance, IT and administrative organizations. The increase in other costs primarily relates to an increase in professional fees in preparation for this offering, a change in the fair value of contingent consideration relating to our MyCase acquisition, and an increase in overhead costs, such as facility and IT costs, as we continued to expand our operations to support our growth.

Depreciation and Amortization

	Three Months Ended March 31,		Change	
	2014	2015	Amount	%
	(dollars in thousands)			
Depreciation and amortization	$ 817	$ 1,183	$ 366	45%

Depreciation and amortization expense increased $0.4 million, or 45%, for the three months ended March 31, 2015 compared to the three months ended March 31, 2014. The increase was primarily due to increased amortization expense of $0.2 million associated with higher capitalized software development costs and increased depreciation expense of $0.1 million related to capital purchases.

Comparison of the Years Ended December 31, 2013 and 2014

Revenue

	Year Ended December 31,		Change	
	2013	2014	Amount	%
	(dollars in thousands)			
Revenue	$26,542	$47,671	$21,129	80%

Revenue increased $21.1 million, or 80%, in 2014 compared to 2013, reflecting mainly increased revenue from our property manager customers. The overall increase was primarily a result of an increase in revenue from our core solutions from $14.4 million to $22.4 million, or 56%, driven by growth in the number of our customers and strong customer renewal rates, and an increase in revenue from our Value+ services from $10.1 million to $22.5 million, or 123%, primarily attributable to the expansion of our electronic payments platform at the end of 2013 to allow residents to pay rent by credit or debit card. In 2013 and 2014, we derived more than 90% of our revenue from our property manager customers.

Cost of Revenue (Exclusive of Depreciation and Amortization)

	Year Ended December 31,		Change	
	2013	2014	Amount	%
	(dollars in thousands)			
Cost of revenue (exclusive of depreciation and amortization)	$13,616	$22,555	$8,939	66%

Cost of revenue (exclusive of depreciation and amortization) increased $8.9 million, or 66%, in 2014 compared to 2013. The increase was primarily a result of an increase in third-party costs of $4.6 million incurred to support the delivery of our software solutions, an increase in personnel-related costs of $2.9 million, and an increase in allocated costs of $0.8 million. The increase in third-party costs primarily relates to increased expenditures associated with increased adoption and utilization of certain Value+ services by our new and existing customers. The increase in personnel-related costs was primarily due to a substantial increase in headcount within our customer service and support organization. The increase in allocated costs primarily relates to an increase in overhead costs, such as facility and IT costs, as we continued to expand our operations to support our growth.

Sales and Marketing

	Year Ended December 31,		Change	
	2013	2014	Amount	%
	(dollars in thousands)			
Sales and marketing	$10,337	$16,876	$6,539	63%

Sales and marketing expense increased $6.5 million, or 63%, in 2014 compared to 2013. The increase was primarily a result of an increase in personnel-related costs of $3.4 million, an increase in marketing program costs of $2.0 million, and an increase in allocated costs of $0.7 million. The increase in personnel-related costs was primarily due to a substantial increase in headcount within our sales and marketing organization, an increase in sales commissions due to our revenue growth, and other incentive-based compensation. The increase in marketing program costs was primarily due to an expansion of online lead generation marketing programs to acquire new customers and marketing programs designed to expand adoption and utilization of our Value+ services by new and existing customers. The increase in allocated costs primarily relates to an increase in overhead costs, such as facility and IT costs, as we continued to expand our operations to support our growth.

Research and Product Development

	Year Ended December 31,		Change	
	2013	2014	Amount	%
	(dollars in thousands)			
Research and product development	$5,057	$6,505	$1,448	29%

Research and product development expense increased $1.4 million, or 29%, in 2014 compared to 2013. The increase was primarily a result of an increase in personnel-related costs, net of capitalized software development costs, of $0.9 million, and an increase in allocated costs of $0.3 million. The increase in personnel-related costs was primarily due to a substantial increase in headcount within our research and product development organization. The increase in allocated costs primarily relates to an increase in overhead costs, such as facility and IT costs, as we continued to expand our operations to support our growth.

General and Administrative

	Year Ended December 31,		Change	
	2013	2014	Amount	%
	(dollars in thousands)			
General and administrative	$2,286	$6,489	$4,203	184%

General and administrative expense increased $4.2 million, or 184%, in 2014 compared to 2013. The increase was primarily a result of an increase in personnel-related costs of $2.6 million, and an increase in other costs of $1.6 million. The increase in personnel-related costs was primarily due to one-time cash bonuses plus applicable tax withholdings, an increase in stock-based compensation, and a substantial increase in headcount within our finance, IT and administrative organizations. The increase in other costs primarily relates to an increase in overhead costs, such as facility and IT costs, as we continued to expand our operations to support our growth.

Depreciation and Amortization

	Year Ended December 31,		Change	
	2013	2014	Amount	%
	(dollars in thousands)			
Depreciation and amortization	$2,850	$3,805	$ 955	34%

Depreciation and amortization expense increased $1.0 million, or 34%, in 2014 compared to 2013. The increase was primarily due to increased amortization expense of $0.5 million associated with higher capitalized software development costs and increased depreciation expense of $0.4 million related to capital purchases.

Quarterly Results of Operations

The following table sets forth selected unaudited quarterly consolidated statements of operations data for each of the five quarters in the period ended March 31, 2015. We have prepared the unaudited quarterly consolidated statements of operations data on a basis consistent with the audited annual consolidated financial statements included elsewhere in this prospectus. In the opinion of management, the financial information in this table reflects all adjustments, consisting of normal and recurring adjustments, necessary for the fair statement of this data. This information should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this prospectus. The results of historical periods are not necessarily indicative of the results for any future period.

	Three Months Ended				
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014	March 31, 2015
	(in thousands)				
Consolidated Statements of Operations Data:					
Revenue	$ 9,834	$11,594	$ 13,024	$ 13,219	$ 15,848
Costs and operating expenses:					
Cost of revenue (exclusive of depreciation and amortization)(1)	4,686	5,447	5,979	6,443	7,065
Sales and marketing(1)	3,490	3,717	4,312	5,357	5,709
Research and product development(1)	1,145	1,576	1,838	1,946	2,009
General and administrative(1)	899	1,485	1,180	2,925	3,392
Depreciation and amortization	817	886	988	1,114	1,183
Total costs and operating expenses	11,037	13,111	14,297	17,785	19,358

	Three Months Ended				
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014	March 31, 2015
	(in thousands)				
Operating loss	$ (1,203)	$(1,517)	$ (1,273)	$ (4,566)	$ (3,510)
Other expense, net	(68)	(29)	(6)	(18)	(2)
Interest income (expense), net	26	11	11	11	(32)
Loss before income taxes	(1,245)	(1,535)	(1,268)	(4,573)	(3,544)
Provision for income taxes	—	—	—	—	74
Net loss	$ (1,245)	$(1,535)	$ (1,268)	$ (4,573)	$ (3,618)

(1) Includes stock-based compensation expense as follows (in thousands):

	Three Months Ended				
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014	March 31, 2015
Cost of revenue (exclusive of depreciation and amortization)	$ 16	$ 16	$ 17	$ 19	$ 24
Sales and marketing	10	10	12	16	23
Research and product development	7	7	3	2	5
General and administrative	16	17	26	698	81
Total stock-based compensation expense	$ 49	$ 50	$ 58	$ 735	$ 133

The following table sets forth selected consolidated statements of operations data for the specified periods as a percentage of our revenue for those periods.

	Three Months Ended				
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014	March 31, 2015
Consolidated Statements of Operations Data:					
Revenue	100%	100%	100%	100%	100%
Costs and operating expenses:					
Cost of revenue (exclusive of depreciation and amortization)	48	47	46	49	45
Sales and marketing	35	32	33	41	36
Research and product development	12	14	14	15	13
General and administrative	9	12	9	22	21
Depreciation and amortization	8	8	8	8	7
Total costs and operating expenses	112	113	110	135	122
Operating loss	(12)	(13)	(10)	(35)	(22)
Other expense, net	(1)	—	—	—	—
Interest income (expense), net	—	—	—	—	—
Loss before income taxes	(13)	(13)	(10)	(35)	(22)
Provision for income taxes	—	—	—	—	(1)
Net loss	(13)%	(13)%	(10)%	(35)%	(23)%

Quarterly Revenue and Cost Trends

Our revenue increased quarter over quarter during 2014, through the first quarter of 2015, reflecting mainly increased revenue from our property manager customers. The overall increase was primarily a result of a quarter-over-quarter increase in the number of our customers and strong customer renewal rates, and an increase in

revenue from our Value+ services primarily attributable to the expansion of our electronic payments platform and screening services. We experience some seasonality in our revenue, primarily with respect to our screening services for our property manager customers. Our property manager customers process fewer applications for new tenants during the fourth quarter holiday season; therefore, revenue associated with our screening services typically declines in the fourth quarter of the year. As a result of this seasonal decline in revenue from our screening services, we experienced sequential revenue growth in the fourth quarter of 2014 at a rate lower than we experienced in other quarters.

Our quarter-over-quarter total costs and operating expenses as a percentage of revenue for each quarter during 2014 remained consistent and scaled with the growth in our business, except for the second and fourth quarters of 2014 and the first quarter of 2015. During the second quarter of 2014, we experienced an increase in general and administrative expense primarily due to a change in the fair value of contingent consideration and an increase in professional fees. During the fourth quarter of 2014, we experienced an increase in sales and marketing expense primarily due to a substantial increase in headcount within our sales and marketing organization. Additionally, during the fourth quarter of 2014, we experienced an increase in general and administrative expense primarily due to one-time cash bonuses plus applicable tax withholdings, and an increase in stock-based compensation.

During the first quarter of 2015, we continued to experience higher levels of general and administrative expense. The increase in general and administrative expense from the fourth quarter of 2014 was primarily due to our acquisition of RentLinx, an accrual for a payment to a third-party service provider to expedite our transition to a new third-party partner, a substantial increase in headcount within our finance, IT and administrative organizations, and an increase in legal, audit and other professional fees in preparation for this offering.

Liquidity and Capital Resources

As of March 31, 2015, our principal sources of liquidity were cash and cash equivalents totaling $12.0 million, which were held for working capital purposes. From inception to date, we have financed our operations primarily through private placements of equity securities in the form of convertible preferred stock, resulting in total cash proceeds of approximately $61.6 million, net of issuance costs, and from proceeds from borrowings under our credit facility described below. As of March 31, 2015, we had a working capital deficit of $2.3 million, compared to a working capital deficit of $5.7 million as of December 31, 2014. The decrease in our working capital deficit was primarily due to an increase in cash and cash equivalents due to borrowings under our credit facility, offset by increases in accrued expenses and deferred revenue.

In March 2015, we entered into a $12.5 million five-year term loan and revolving credit facility with Wells Fargo Bank, N.A., which matures in 2020. Borrowings bear interest at a fluctuating rate per annum equal to, at our option, (i) a base rate equal to the highest of (a) the federal funds rate plus ½ of 1%, (b) LIBOR for a one-month interest period plus 1% and (c) the rate of interest in effect for such day as publicly announced from time to time by Wells Fargo Bank, N.A. as its “prime rate,” in each case plus an applicable margin of 5%, or (ii) LIBOR for the applicable interest period plus an applicable margin of 6%. The applicable margin is subject to step-downs upon achievement of certain senior leverage ratios. As of March 31, 2015, the outstanding borrowings under our credit facility were $10.0 million. Our credit facility requires us to pay a prepayment premium of 2% of the amount prepaid in the event of prepayment from the proceeds of an initial public offering. Borrowings are secured by substantially all of our assets. Our credit facility also contains various covenants, including covenants requiring the delivery of financial and other information and the maintenance of financial ratios, as well as covenants limiting dividends, dispositions, mergers or consolidations, incurrence of indebtedness and liens, and other corporate activities. As of March 31, 2015, we were in compliance with all of the financial covenants under our credit facility.

We believe that our existing cash and cash equivalents balance, together with borrowings available under our credit facility, will be sufficient to meet our working capital and capital expenditure requirements for at least the next 12 months.

Our future capital requirements will depend on many factors, including the change in the number of our customers, the adoption and utilization of our Value+ services by new and existing customers, the timing and extent of the introduction of new core functionality and Value+ services in our existing markets and verticals, the timing and extent of our expansion into adjacent markets or new verticals, the timing and extent of our investments across our organization, and the continued market acceptance of our software solutions. In addition, we may in the future enter into arrangements to acquire or invest in complementary businesses, services, technologies or intellectual property rights. For example, in April 2015, we acquired RentLinx, an advertising aggregator, which we believe will allow us to offer additional Value+ services to our property manager customers.

We may be required to seek additional equity or debt financing in order to meet these future capital requirements. If we are unable to raise additional capital when desired, or on terms that are acceptable to us, our business, operating results and financial condition could be adversely affected.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

	Year Ended December 31,		Three Months Ended March 31,	
	2013	2014	2014	2015
	(in thousands)			
Cash (used in) provided by operating activities	$ (4,370)	$ 475	$ 729	$ (1,211)
Cash used in investing activities	(265)	(6,476)	(1,344)	(1,957)
Cash provided by financing activities	11,961	144	58	9,790
Net increase (decrease) in cash and cash equivalents	$ 7,326	$ (5,857)	$ (557)	$ 6,622

Cash (Used in) Provided by Operating Activities

The primary source of operating cash inflows is cash collected from our customers for core and Value+ services. Our primary uses of cash from operating activities are for personnel-related expenditures and third-party costs incurred to support the delivery of our software solutions.

For the three months ended March 31, 2015, cash used in operating activities was $1.2 million resulting from our net loss of $3.6 million, adjusted by non-cash charges of $1.3 million and a net increase of $1.1 million in our operating assets and liabilities. The net increase in our operating assets and liabilities was primarily the result of an increase of $0.9 million in accrued employee expenses related to an overall increase in personnel-related costs, and increases of $0.8 million and $0.2 million in accrued expenses and accounts payable, respectively, related to professional fees associated with our acquisition of RentLinx and an accrual for a payment to a third-party service provider to expedite our transition to a new third-party partner. These increases were offset by a $0.7 million increase in accounts receivable related to increased sales of Value+ services.

For the three months ended March 31, 2014, cash provided by operating activities was $0.7 million resulting from our net loss of $1.2 million, adjusted by non-cash charges of $0.8 million and a net increase of $1.2 million in our operating assets and liabilities. The net increase in our operating assets and liabilities was primarily the result of a $0.6 million increase in accounts payable due to an increase in expenditures associated with the overall growth of our business, a $0.5 million increase in deferred revenue as a result of increased subscription sales, and a $0.5 million increase in accrued employee expenses related to an overall increase in personnel-related costs, offset by an increase of approximately $0.5 million in accounts receivable related to increased sales of Value+ services.

During the year ended December 31, 2014, cash provided by operating activities was $0.5 million resulting from our net loss of $8.6 million, adjusted by non-cash charges of $4.9 million and a net increase of $4.2 million in our operating assets and liabilities. The net increase in our operating assets and liabilities was primarily the result of a $1.8 million increase in accounts payable, a $1.1 million increase in accrued employee expenses related to an overall increase in personnel-related costs, a $1.0 million increase in accrued expenses due to an overall increase in expenditures associated with the growth of our business, and a $0.8 million increase in deferred revenue as a result of increased subscription sales, offset by a $0.4 million decrease in accounts receivable as a result of improved collections.

During the year ended December 31, 2013, cash used in operating activities was $4.4 million resulting from our net loss of $7.3 million, adjusted by non-cash charges of $1.5 million and a net increase of $1.4 million in our operating assets and liabilities. The net increase in our operating assets and liabilities was primarily the result of a $1.2 million increase in accrued employee expenses related to an overall increase in personnel-related costs, a $0.8 million increase in deferred revenue as a result of increased subscription sales, and a $0.3 million increase in accrued expenses due to an overall increase in expenditures associated with the growth of our business, offset by a $0.5 million decrease in accounts receivable as a result of improved collections.

Cash Used in Investing Activities

For the three months ended March 31, 2015, investing activities used $2.0 million in cash primarily as a result of an increase in capitalized software development costs of $1.2 million, and an increase in capital expenditures of $0.7 million to purchase property and equipment.

For the three months ended March 31, 2014, investing activities used $1.3 million in cash primarily as a result of an increase in capitalized software development costs of $0.9 million, and an increase in capital expenditures of $0.5 million to purchase property and equipment.

During the year ended December 31, 2014, investing activities used $6.5 million in cash primarily as a result of an increase in capitalized software development costs of $4.6 million, and an increase in capital expenditures of $1.9 million to purchase property and equipment.

During the year ended December 31, 2013, investing activities used $0.3 million in cash primarily as a result of an increase in capitalized software development costs of $2.4 million, and an increase in capital expenditures of $1.3 million to purchase property and equipment, offset by maturities of investments in marketable securities of $3.4 million.

Cash Provided by Financing Activities

For the three months ended March 31, 2015, financing activities provided $9.8 million in cash primarily as a result of proceeds from borrowings under our credit facility, net of payments related to debt financing costs.

For the three months ended March 31, 2014, financing activities provided $0.1 million in cash primarily as a result of proceeds from the exercise or stock options.

During the year ended December 31, 2014, financing activities provided $0.1 million in cash primarily as a result of proceeds from the exercise of stock options.

During the year ended December 31, 2013, financing activities provided $12.0 million in cash primarily as a result of proceeds from the sale of convertible preferred stock, net of issuance costs, and the exercise of stock options.

Contractual Obligations and Other Commitments

Our principal commitments consist of contractual obligations under our capital and operating leases for office space, and contingent consideration liability related to our acquisition of MyCase. The following table summarizes our contractual obligations and other commitments as of December 31, 2014:

	Payments Due by Period				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	After 5 years
	(in thousands)				
Capital lease obligations	$ 71	$ 37	$ 34	$ —	$ —
Operating lease obligations	3,002	1,043	1,959	—	—
Contingent consideration liability	2,429	2,429	—	—	—
Total	$5,502	$ 3,509	$1,993	$ —	$ —

At December 31, 2014, liabilities for unrecognized tax benefits of $2.0 million were not included in our contractual obligations in the table above because, due to their nature, there is a high degree of uncertainty regarding the timing of future cash outflows and other events that would extinguish these liabilities.

In March 2015, we entered into a $12.5 million five-year term loan and revolving credit facility with Wells Fargo Bank, N.A., which matures in 2020. Borrowings bear interest at a fluctuating rate, as further discussed in the section entitled "—Liquidity and Capital Resources." As of March 31, 2015, the outstanding borrowings under our credit facility were $10.0 million.

In April 2015, we entered into a new operating lease to expand our office space, which increased our minimum non-cancellable lease obligations by $1.7 million during the period from July 2015 through November 2020.

Off-Balance Sheet Arrangements

Through March 31, 2015, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Qualitative and Quantitative Disclosure about Market Risk

Interest Rate Risk

We had cash and cash equivalents of $12.0 million as of March 31, 2015, consisting of bank deposits and money market funds. The borrowings under our credit facility are at variable interest rates, and capital lease obligations are generally at fixed rates. We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in interest rates. A hypothetical 10% change in interest rates during any of the periods presented would not have had a material impact on our consolidated financial statements.

Inflation Risk

We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in inflation rates.

Critical Accounting Policies and Estimates

Our financial statements and the related notes included elsewhere in this prospectus are prepared in accordance with GAAP. The preparation of our financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and operating expenses, provision for income taxes and related disclosures. We base our estimates on historical experience and on various

other assumptions that we believe to be reasonable under the circumstances. However, actual results could differ significantly from the estimates made by our management. We evaluate our estimates and assumptions on an ongoing basis. To the extent that there are material differences between these estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected.

We believe that the following critical accounting policies involve a greater degree of judgment or complexity than our other accounting policies. Accordingly, these are the policies we believe are the most critical to a full understanding and evaluation of our consolidated financial condition and results of operations. See Note 2 of the notes to our consolidated financial statements and our condensed consolidated financial statements for additional information.

Revenue Recognition

We charge our customers on a subscription basis for our core solutions and many of our Value+ services. Our subscription fees are designed to scale to the size of our customers' businesses. Our core solutions refer to the base subscriptions for our cloud-based property management and legal software solutions. Value+ services recognized on a subscription basis include website hosting, insurance and contact center services. Subscription fees for our core solutions are charged on a per-unit per-month basis for our property management software solution and on a per-user per-month basis for our legal software solution. Website hosting fees are charged based on the number of websites hosted per month. Insurance and contact center fees are charged on a per-unit per-month basis. We recognize subscription revenue ratably over the terms of the subscription agreements, which range from one month to one year. We offer customers a free-trial period to try our software. Revenue is not recognized until the free-trial period is complete and the customer has entered into a subscription agreement with us. We generally invoice our customers for subscription services in monthly, quarterly or annual installments, typically in advance of the subscription period. As a result, we do not have significant deferred revenue because our invoicing is generally for periods less than one year.

We also charge our customers usage-based fees for using certain Value+ services, although fees for electronic payment processing are generally paid by the clients of our customers. Usage-based services include background and credit checks and electronic payment services. Usage-based fees are charged on a flat fee per transaction basis with no minimum usage commitments. We recognize revenue for usage-based services in the period the service is rendered. We generally invoice our customers for usage-based services on a monthly basis for services rendered in the preceding month.

We also offer our customers assistance with on-boarding our core solutions, as well as website design services. These services are generally purchased as part of a subscription agreement, and are typically performed within the first several months of the arrangement. We recognize revenue for these one-time services upon completion of the related service. We generally invoice our customers for one-time services in advance of the services being completed.

We recognize revenue when (i) there is persuasive evidence of an arrangement, (ii) our software solutions have been made available or delivered, or services have been performed, (iii) the amount of fees is fixed or determinable, and (iv) collectability is reasonably assured. Evidence of an arrangement generally consists of either a signed customer contract or an online click-through agreement. We consider that delivery of a solution or website has commenced once we provide the customer with access to use the solution or website. Fees are fixed based on rates specified in the subscription agreements, which do not provide for any refunds or adjustments. If collectability is not considered reasonably assured, revenue is deferred until the fees are collected. Some of our subscription agreements contain minimum cancellation fees in the event that the customer cancels the subscription early.

As customers do not have the right to the underlying software code for our software solutions, our revenue arrangements are outside the scope of software revenue recognition guidance.

Multiple-Deliverable Arrangements

The majority of customer arrangements include multiple deliverables. We therefore recognize revenue in accordance with ASU 2009-13, *Revenue Recognition (Topic 605)—Multiple—Deliverable Revenue Arrangements—a Consensus of the Emerging Issues Task Force*, or ASU 2009-13.

For multiple-deliverable arrangements, we first assess whether each deliverable has value to the customer on a standalone basis. We have determined that the subscription services related to our core solutions have value on a standalone basis because, once access is provided, they are fully functional and do not require additional development, modification or customization. Subscription services related to website hosting, insurance services and contact center services have value on a standalone basis as the services are sold separately by other vendors and not essential to the functionality of the other deliverables. Usage-based services have value to the customer on a standalone basis as they are sold separately by other vendors and are not essential to the functionality of the other deliverables. The usage-based services are typically entered into subsequent to the initial customer arrangement. In multiple-deliverable arrangements that contain usage-based services, the customer has the option to purchase the services on an ad hoc basis, and payments are made when the services are rendered. The one-time services to assist our customers with on-boarding our core solutions, as well as website design services, have value on a standalone basis as these services do not require highly specialized or skilled individuals to perform them, are not essential to the functionality of our software solutions and may be performed by the customer or another vendor.

Based on the standalone value of the deliverables, and since our customers do not have a general right of return, we allocate revenue among the separate non-contingent deliverables in a multiple-deliverable arrangement under the relative selling price method using the selling price hierarchy established in ASU 2009-13. Usage-based services are not included in the relative revenue allocation at the inception of the arrangement as they are contingent on the customer's use of the applicable Value+ service. Usage-based services do not contain any significant incremental discounts. The ASU 2009-13 selling price hierarchy requires the selling price of each deliverable in a multiple-deliverable arrangement to be based on, in descending order, (i) vendor-specific objective evidence of fair value, or VSOE, (ii) third-party evidence of fair value, or TPE, or (iii) management's best estimate of the selling price, or BESP.

For our core solutions, we have established VSOE based on our consistent historical pricing and discounting practices for customer renewals where the customer only subscribes to our core solutions. In establishing VSOE, the substantial majority of the selling prices for our core solutions fall within a reasonably narrow pricing range.

For our Value+ services and services relating to on-boarding our core solutions, as well as website design services, we were not able to determine VSOE because they are not sold by us separately from other deliverables. In addition, we considered whether TPE existed for these services and determined TPE existed for our website hosting based on prices charged by other companies selling similar services separately. For our remaining services, the selling prices of other deliverables are based on BESP. The determination of BESP requires us to make significant judgments and estimates. We consider numerous factors, including the nature of the deliverables themselves, the market conditions and competitive landscape for the sale, internal costs, and our published pricing and discounting practices. We maintain pricing transparency and adhere to our published price lists in selling these services to our customers. We update our estimates of BESP on an ongoing basis as events and circumstances may require.

After the contract value is allocated to each non-contingent deliverable in a multiple-deliverable arrangement based on the relative selling price, revenue is recognized for each deliverable based on the pattern in which the revenue is earned. For subscriptions services, revenue is recognized on a straight-line basis over the subscription period. For usage-based services, revenue is recognized as the services are rendered. For one-time services, revenue is recognized upon completion of the related services.

We record amounts collected from our customers in advance of recognizing revenue as deferred revenue. Deferred revenue that will be recognized as revenue within one year from the respective balance sheet date is recorded as current deferred revenue and the remaining portion, if any, is recorded as noncurrent.

Internal-Use Software

We account for the costs of computer software obtained or developed for internal use in accordance with Accounting Standards Codification, or ASC, 350, *Intangibles—Goodwill and Other*, or ASC 350. These include costs incurred in connection with the development of our internal-use software solutions when (i) the preliminary project stage is completed, (ii) management has authorized further funding for the completion of the project and (iii) it is probable that the project will be completed and perform as intended. These capitalized costs include personnel and related expenses for employees who are directly associated with and who devote time to internal-use software projects and, when material, interest costs incurred during the development. Capitalization of these costs ceases once the project is substantially complete and the software is ready for its intended purpose. Costs incurred for significant upgrades and enhancements to our software solutions are also capitalized. Costs incurred for post-configuration training, maintenance and minor modifications or enhancements are expensed as incurred. Capitalized software development costs are amortized using the straight-line method over an estimated useful life of three years. We do not transfer ownership of our software, or lease our software, to third parties.

Impairment of Long-Lived Assets

We assess the recoverability of our long-lived assets when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Such events or changes in circumstances may include a significant adverse change in the extent or manner in which a long-lived asset is being used, a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset, an accumulation of costs significantly in excess of the amount originally expected for the acquisition or development of a long-lived asset, current or future operating or cash flow losses that demonstrate continuing losses associated with the use of a long-lived asset, or a current expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. Impairment testing is performed at an asset level that represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. We assess recoverability of long-lived assets by determining whether the carrying value of an asset can be recovered through projected undiscounted cash flows over its remaining life. If the carrying value of an asset exceeds the forecasted undiscounted cash flows, an impairment loss is recognized, measured as the amount by which the carrying value exceeds estimated fair value. An impairment loss is charged to operations in the period in which management determines such impairment.

Business Combinations

The results of a business acquired in a business combination are included in our consolidated financial statements from the date of acquisition. We allocate the purchase price, including the fair value of contingent consideration, to the identifiable assets and liabilities of the acquired business at their acquisition date fair values. The excess of the purchase price over the amount allocated to the identifiable assets and liabilities, if any, is recorded as goodwill.

Determining the fair value of assets acquired and liabilities assumed requires management to make significant judgments and estimates, including the selection of valuation methodologies, estimates of future revenue and cash flows, discount rates and selection of comparable companies.

When we issue awards to an acquired company’s stockholders, we evaluate whether the awards are contingent consideration or compensation for post-acquisition services. The evaluation includes, among other things, whether the vesting of the awards is contingent on the continued employment of the selling stockholder beyond the acquisition date. If continued employment is required for vesting, the awards are treated as compensation for post-acquisition services and recognized as an expense over the requisite service period.

Acquisition-related transaction costs are not included as a component of consideration transferred, but are accounted for as an expense in the period in which the costs are incurred.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in a business combination. We test goodwill for impairment in accordance with the provisions of ASC 350. Goodwill is tested for impairment at least annually at the reporting unit level or whenever events or changes in circumstances indicate that goodwill might be impaired. Events or changes in circumstances which could trigger an impairment review include a significant adverse change in legal factors or in the business climate, unanticipated competition, loss of key personnel, significant changes in the use of the acquired assets or our strategy, significant negative industry or economic trends, or significant underperformance relative to expected historical or projected future results of operations.

ASC 350 provides that an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then additional impairment testing is not required. However, if an entity concludes otherwise, then it is required to perform the first of a two-step impairment test.

The first step involves comparing the estimated fair value of a reporting unit with its book value, including goodwill. If the estimated fair value exceeds book value, goodwill is considered not to be impaired and no additional steps are necessary. If, however, the fair value of the reporting unit is less than book value, then the carrying amount of the goodwill is compared with its implied fair value. The estimate of implied fair value of goodwill may require valuations of certain internally generated and unrecognized intangible assets. If the carrying amount of goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess.

We have one reporting unit and we test for goodwill impairment annually during the fourth quarter of the calendar year. Our qualitative goodwill assessment during the fourth quarter of 2014 concluded there were no indications of impairment based on a number of factors considered, including the improvement in key operating metrics over the prior year, the increase in the fair value of our common stock, and continued execution against our strategic objectives.

Stock-Based Compensation

We account for stock-based compensation awards granted to employees and directors by recording compensation expense based on the awards' grant-date estimated fair value, in accordance with ASC 718, *Compensation—Stock Compensation*, or ASC 718. We estimate the fair value of restricted stock awards based on the fair value of our common stock. We estimate the fair value of stock options using the Black-Scholes option-pricing model. Determining the fair value of stock-based compensation awards under this model requires highly subjective assumptions, including the fair value of the underlying common stock, the risk-free interest rate, the expected term of the award, the expected volatility of the price of our common stock, and the expected dividend yield of our common stock. These estimates involve inherent uncertainties and the application of management's judgment. If we had made different assumptions, our stock-based compensation expense and our net loss could have been materially different.

These assumptions and estimates are as follows:

- *Fair Value of Common Stock.* Because there is no public market for our common stock, our board of directors has determined the fair value of our common stock at the time of the grant of stock options and restricted stock awards by considering a number of objective and subjective factors. The fair value

of the underlying common stock will be determined by our board of directors until such time as our common stock commences trading on an established stock exchange or national market system. The fair value has been determined in accordance with applicable elements of the practice aid issued by the American Institute of Certified Public Accountants titled *Valuation of Privately Held Company Equity Securities Issued as Compensation*. Our board of directors grants stock options with exercise prices equal to the fair value of our common stock on the date of grant.

- *Risk-Free Interest Rate*. The risk free interest rate assumption is based upon observed interest rates on United States government securities appropriate for the expected term of the stock option.
- *Expected Term*. Given we do not have sufficient exercise history to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior, we determine the expected term using the simplified method, which is calculated as the midpoint of the stock option vesting term and the expiration date of the stock option.
- *Expected Volatility*. We determine the expected volatility based on the historical average volatilities of publicly traded industry peers. We intend to continue to consistently apply this methodology using the same or similar public companies until a sufficient amount of historical information regarding the volatility of our own common stock price becomes available, unless circumstances change such that the identified companies are no longer similar to us, in which case, more suitable companies whose stock prices are publicly available would be utilized in the calculation.
- *Expected Dividend Yield*. We have not paid and do not anticipate paying any cash dividends in the foreseeable future and, therefore, we use an expected dividend yield of zero.

The following table summarizes information relating to our stock options granted in the years ended December 31, 2013 and 2014 and the three months ended March 31, 2014 and 2015:

	Year Ended December 31,		Three Months Ended March 31,	
	2013	2014	2014	2015
Stock options granted (in thousands)	126	702	77	171
Weighted average exercise price per share	$ 1.80	$ 4.60	$ 3.28	$ 5.64
Weighted average Black-Scholes model assumptions:				
Risk-free interest rate	1.24%	1.86%	1.86%	1.39%
Expected term (in years)	6.0	6.2	6.0	6.4
Expected volatility	51%	48%	49%	48%
Expected dividend yield	—	—	—	—

In addition to the assumptions used in the Black-Scholes option-pricing model, we also estimate a forfeiture rate to calculate our stock-based compensation expense for our awards. The forfeiture rate is based on an analysis of actual forfeitures. We will continue to evaluate the appropriateness of the forfeiture rate based on actual forfeiture experience, analysis of employee turnover, and other factors. Changes in the estimated forfeiture rate can have a significant impact on our stock-based compensation expense as the cumulative effect of adjusting the rate is recognized in the period the estimated forfeiture rate is changed. If a revised forfeiture rate is higher than the previously estimated forfeiture rate, an adjustment is made that will result in a decrease to our stock-based compensation expense recognized in our consolidated financial statements. If a revised forfeiture rate is lower than the previously estimated forfeiture rate, an adjustment is made that will result in an increase to our stock-based compensation expense recognized in our consolidated financial statements.

Common Stock Valuations

We are required to estimate the fair value of the common stock underlying our stock-based awards. The fair value of the common stock underlying our stock-based awards has been determined in each case by our board of directors, with input from management and contemporaneous third-party valuations. We believe that our board of directors has the relevant experience and expertise to determine the fair value of our common stock. Our board of

directors intends all stock options granted to be exercisable at a price per share not less than the fair value per share of the common stock underlying those stock options on the date of grant. As described below, the exercise price of our stock options was determined by our board of directors with reference to the most recent contemporaneous third-party valuation as of the date of each grant.

In the absence of a public market for our common stock, the valuation of our common stock has been determined in accordance with the guidelines outlined in the American Institute of Certified Public Accountants Practice Guide, *Valuation of Privately Held Company Equity Securities Issued as Compensation.* Our board of directors exercised reasonable judgment and considered numerous objectives and subjective factors to determine the best estimate of the fair value of our common stock at the date of each grant. These factors included:

- contemporaneous valuations performed by unrelated third-party specialists;
- the nature and history of our business;
- actual operating and financial performance;
- hiring of key personnel and experience of our management;
- market performance of comparable publicly traded companies;
- the introduction of new core functionality and Value+ services and the entry into adjacent markets and new verticals;
- industry information, such as market size and growth;
- likelihood of achieving a liquidity event, such as an initial public offering or a strategic sale given prevailing market conditions and the nature and history of our business;
- lack of marketability for our common stock;
- prices, privileges, powers, preferences and rights of our convertible preferred stock relative to those of our common stock;
- relevant precedent transactions involving our convertible preferred stock;
- illiquidity of stock-based awards involving securities in a private company; and
- macroeconomic conditions.

In valuing our common stock, our board of directors determined the equity value of our business generally using the income approach and the market comparable approach valuation methods. The market approach also considers recent sales of our convertible preferred stock.

The income approach estimates our fair value based on the present value of our forecasted cash flows that we will generate over the forecast period and our residual value beyond the forecast period. These future values are discounted to their present values to reflect the risks inherent in our achieving these estimated cash flows. Other significant inputs of the income approach (in addition to our estimated future cash flows themselves) include, but are not limited to, working capital requirements, the long-term growth rate assumed in the residual value and normalized long-term operating margin.

The market comparable approach estimates our fair value by applying multiples of comparable publicly traded companies in the same industry or similar lines of business. From the comparable companies, a representative multiple is determined and then applied to our financial results to estimate our equity value. The multiple of the comparable companies was determined using a ratio of the market value of invested capital less cash to each of the last 12 months' revenues and the forecasted future 12 months' revenues. The estimated equity value is then discounted by a non-marketability factor due to the fact that stockholders of private companies do not have access to trading markets similar to those enjoyed by stockholders of public companies, which impacts liquidity. To determine our peer group of companies, we considered publicly traded software companies that

primarily deliver software using the cloud-based business model. When selecting peer companies to be included as our comparable companies, we considered industry information available for cloud-based solution providers. The selection of peer companies requires us to make judgments as to the comparability of these cloud-based solution providers to us. We also considered a number of factors, including the type of cloud-based offering, the stage of development and the size of the company. Additionally, some of the comparable companies completed initial public offerings in recent years. The selection of peer companies changes over time based on whether we believe the selected companies remain comparable to us. Based on these considerations, we believe that the companies we selected are a representative group for purposes of performing valuations.

Where we had completed a recent convertible preferred stock offering, the equity value implied by the financing was also used as a market approach. Where we used this method, we corroborated the equity value by using a market comparable approach, which applied a comparable company revenue multiple to our forecasted revenues. We considered multiples of enterprise value to revenue to be the most relevant in our industry as we are still in a relatively high growth phase, and thus have not reached normalized profitability or generated positive historical profit, thus making the application of profit-based multiples impossible or less reliable.

Once we determined our equity value, we utilized the OPM to allocate the equity value to each of our classes of stock. The OPM values each equity class by creating a series of call options on our equity value, with exercise prices based on the liquidation preferences, participation rights, and strike prices of the equity instruments. The OPM is particularly useful for the valuation of equity securities for emerging growth companies due to their lack of historical financial information and the complexity of their securities and capital structure. Commencing in December 2014, due to improved clarity on potential equity scenarios, we began using the PWERM to allocate our equity value among the various outcomes. Using a PWERM, the value of our common stock is estimated based on a probability-weighted analysis of varying values for our common stock assuming a possible future event for us, such as an early or late initial public offering, a strategic sale or a downside scenario in which we sell at a lower than expected liquidation value.

Application of these approaches and methods involves the use of estimates, judgments and assumptions, such as future revenue, expenses and cash flows, selections of comparable companies, probabilities and timing of exit events, among other factors. Changes in our assumptions or the interrelationship of those assumptions impacted the valuations as of each valuation date.

The table below sets forth information regarding stock options for each grant date for the year ended December 31, 2014 and the three months ended March 31, 2015:

Option Grant Dates	Number of Shares of our Common Stock Subject to Options Granted (in thousands)	Exercise Price per Share	Fair Value per Share at Grant Date
January 30, 2014	77	$ 3.28	$ 3.28
April 30, 2014	42	$ 3.28	$ 3.28
July 23, 2014	48	$ 4.16	$ 4.16
December 3, 2014	535	$ 4.92	$ 4.92
February 1, 2015*	171	$ 5.64	$ 11.20

* In light of the proximity of this grant to our planned initial public offering, our board of directors reassessed the fair value of our common stock as discussed under the section entitled “—February 2015 Grants” below.

The aggregate intrinsic value of vested and unvested stock options as of March 31, 2015 based on a price of $ per share, which is the midpoint of the price range on the cover page of this prospectus, was $ million, of which $ million related to vested options and $ million related to unvested options.

The following discussion relates primarily to items considered and determinations made in assessing the fair value per share of our common stock for purposes of calculating stock-based compensation expense for the year ended December 31, 2014 and the three months ended March 31, 2015. We believe we applied a reasonable valuation method to determine the fair value of the common stock underlying stock-based awards granted prior to our initial public offering.

January and April 2014 Grants

In estimating the fair value of our common stock to set the exercise price of stock options granted in January and April 2014, we obtained an independent third-party valuation of our common stock dated as of November 30, 2013. This valuation was performed concurrently with our Series B-3 convertible preferred stock financing. In addition, management used a Black-Scholes OPM to determine the total equity value implied by our Series B-3 convertible preferred stock financing, which was then allocated among our convertible preferred stock and common stock. We determined the use of this approach was appropriate given the price per share set for the issuance of our Series B-3 convertible preferred stock was negotiated between us and the lead investor. The lead investor was not an existing shareholder of ours; therefore, our Series B-3 convertible preferred stock financing was treated as an arms-length transaction. The inputs to the OPM include:

- our equity value implied by the Series B-3 convertible preferred stock financing;
- an estimate of the time until a potential liquidity event;
- an estimated volatility assumption;
- a risk-free interest rate over the estimated time to a liquidity event; and
- key price points in our capital structure in terms of exit levels on the assumed liquidation date.

Management utilized an expected term of 2.4 years from the valuation date until a liquidity event would occur and an expected volatility of 45% based on comparable public companies identified as direct competitors and other cloud-based solution providers. In addition, we used a discount for lack of marketability of 20%. The discount for marketability was determined using a protective put model, which was used as a proxy for measuring discounts for lack of marketability of securities.

In addition, management corroborated our total equity value by using a market comparable approach, which applied a comparable company revenue multiple to our forecasted revenues. The equity value implied by the market comparable approach was consistent with the value determined using the OPM.

After considering these valuations, and a qualitative assessment of whether any significant changes in value occurred subsequent to November 2013, our board of directors determined the fair value of our common stock to be $3.28 per share as of January 30, 2014 and April 30, 2014, and granted stock options with an exercise price of $3.28 per share.

July 2014 Grants

In estimating the fair value of our common stock to set the exercise price of stock options granted in July 2014, we obtained an independent third-party valuation of our common stock dated as of May 31, 2014. In addition, management utilized the OPM method described above, which was corroborated using the market comparable approach, which applied a comparable company revenue multiple to our forecasted revenues. We utilized the same Series B-3 convertible preferred stock financing as a benchmark for assessing the fair value of our common stock, which we adjusted for changes related to the market and to our internal progress from the prior valuation date.

Management utilized an expected term of 2.4 years from valuation date until a liquidity event would occur and an expected volatility of 45% based on public companies identified as direct competitors and other cloud-based solution providers. This term was based on a weighting of different exit scenarios, including initial public offering and strategic sale scenarios. The expected term remained 2.4 years based on our expectation of when a liquidity event could occur, which remained unchanged. In addition, we maintained the same discount for lack of marketability of 20% given there was no change in the expected exit timeline.

After considering these valuations, our board of directors determined the fair value of our common stock to be $4.16 per share as of July 23, 2014, and granted stock options with an exercise price of $4.16 per share. The increase in the fair value of our common stock resulted in part from the continued growth and financial performance of our business from November 2013 through May 2014. The main driver of the increase in value was the overall growth of our business as demonstrated by the growth in our revenue and the number of our customers.

December 2014 Grants

In estimating the fair value of our common stock to set the exercise price of stock options granted in December 2014, we obtained an independent third-party valuation of our common stock dated as of December 1, 2014. In addition, management used a combination of both the income and market comparable approaches, weighted at 75% and 25%, respectively, to estimate our total equity value. We included the income approach for the first time as we had greater visibility into our expected future cash flows given our longer operating history. In the income approach, we discounted our estimated future cash flows based on our forecasts through 2019 and utilized a weighted average cost of capital of 25%. The market comparable approach applied a comparable company revenue multiple to our forecasted revenues. The selected multiple used was based on available comparable companies that we estimated were similar to us considering their size, growth and profitability.

Once we determined an equity value, we used both an OPM and a PWERM model, weighted equally, to allocate the equity value to each of our classes of stock. We began using the PWERM, to allocate our equity value among the various potential liquidity outcomes, given our improved estimate of exit scenarios.

In the OPM model, we utilized the following principal assumptions: an expected term of 1.7 years, which was reduced from our prior valuation date due to our revised expectation of when a liquidity event could occur; an expected volatility of 35%, reflecting a decrease from the prior valuation date as a result of the shorter expected term to liquidity; and a discount for lack of marketability of approximately 14%, reflecting a decrease from the prior valuation date as a result of the shorter expected term to liquidity. Using the PWERM, we estimated our equity value under various scenarios: an initial public offering occurring one year from valuation date, 1.5 years from valuation date, and 2.5 years from valuation date; a strategic sale occurring 1.5 years from valuation date and 2.5 years from valuation date; and a downside scenario. We also applied the discount for lack of marketability factoring in the estimated time to a potential liquidity event.

In addition to these valuations, our board of directors considered the proximity of the grant relative to the December 2014 valuation, and our financial performance since the prior valuation date, in establishing the fair value of our common stock of $4.92 per share and the exercise price of the stock options granted in December 2014 of $4.92 per share, an increase of nearly 20% from May 2014. The increase in the fair value of our common stock resulted in part from the continued growth and financial performance of our business from May 2014 to December 2014 and the increase in the probability of an initial public offering relative to other shareholder liquidation alternatives.

February 2015 Grants

In February 2015, our board of directors granted options to purchase 170,677 shares of our common stock with an exercise price per share of $5.64 and 25,000 shares of restricted stock with a purchase price of $5.64 per

share. To estimate the fair value of our common stock, our board of directors reviewed and considered an independent third-party valuation of our common stock dated as of January 23, 2015. In addition, consistent with the December 2014 valuation, management used a combination of both the income and market comparable approaches, weighted equally, to estimate our total enterprise value.

Once we determined an equity value, we used both an OPM and a PWERM, weighted at 40% and 60%, respectively, to allocate the equity value to each of our classes of stock. In the OPM, we utilized the following assumptions: an expected term of 1.3 years, which was reduced from the prior valuation date due to our revised expectation of when a liquidity event could occur; an expected volatility of 35%; and a discount for lack of marketability of 11%, reflecting a decrease from the prior valuation date as a result of the shorted expected term to liquidity. Using the PWERM, we estimated our equity value under various scenarios: an initial public offering occurring one year from valuation date, 1.5 years from valuation date, and 2.5 years from valuation date; a strategic sale occurring 1.5 years from valuation date and 2.5 years from valuation date; and a downside scenario. We also applied the discount for lack of marketability factoring in the estimated time to a potential liquidity event.

In addition to these valuations, our board of directors considered the proximity of the grant relative to the January 2015 valuation, and our financial performance since the prior valuation date, in establishing the value of our common stock of $5.64 per share and the exercise price of the stock options granted in February 2015 of $5.64 per share, an increase of 15% from December 2014.

In connection with the preparation of our unaudited interim condensed consolidated financial statements as of and for the three months ended March 31, 2015, and in light of our acceleration of our planned initial public offering timeline and the engagement of our underwriters for this offering during the three months ended March 31, 2015, we reviewed and reassessed the grant-date fair value of our common stock as of February 1, 2015. As a result of this reassessment, the fair value of our common stock on February 1, 2015, was increased from our original determination of $5.64 per share to $11.20 per share. The reassessed fair value of $11.20 per share was based on our estimates of our enterprise value in light of our accelerated initial public offering timeline. The increase in the fair value of our common stock from December 2014 to February 2015 resulted in part from the continued growth and financial performance of our business, and the increase in the probability and acceleration of the expected timing of an initial public offering relative to other shareholder liquidation alternatives. In connection with this determination, we will recognize approximately $0.9 million more in stock-based compensation expense associated with stock options and restricted stock awards granted on February 1, 2015 than we would have recognized had we not reassessed our original determination of fair value.

Income Taxes

We account for income taxes in accordance with ASC 740, *Income Taxes*, or ASC 740. ASC 740 requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the consolidated statements of operations in the period that includes the enactment date. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in our consolidated financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized. We recognize interest and penalties accrued with respect to uncertain tax positions, if any, in our provision for income taxes in the consolidated statements of operations.

Recent Accounting Pronouncements

Under the JOBS Act, we meet the definition of an emerging growth company. We have irrevocably elected to opt out of the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, or ASU 2014-09, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. ASU 2014-09 is currently effective on January 1, 2017, although the FASB has proposed rules to defer its effectiveness until 2018. Early adoption is not permitted. The standard permits the use of either a retrospective or cumulative effect transition method. We have not determined which transition method we will adopt, nor have we determined the effect of this guidance on our financial condition, results of operations, cash flows or disclosures.

In April 2015, the FASB issued ASU No. 2015-03, *Interest—Imputation of Interest—Simplifying the Presentation of Debt Issuance Costs*, or ASU 2015-03, which requires an entity to record debt issuance costs in the balance sheet as a direct deduction of a recognized debt liability. ASU 2015-03 is effective for accounting periods beginning after December 15, 2015; however, early adoption is permitted. During the three months ended March 31, 2015, we elected to adopt this guidance. The impact of the early adoption of this guidance was to record $0.1 million of third-party debt financing costs related to borrowings under our credit facility in March 2015 as a reduction of our term loan from Wells Fargo Bank, N.A. The adoption of this guidance did not impact prior period financial statements as we had $0 of debt outstanding.

In April 2015, the FASB issued ASU No. 2015-05, *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*, or ASU 2015-05, which provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. This guidance is effective for periods beginning after December 15, 2015; however, early adoption is permitted. An entity can elect to adopt this guidance either (i) prospectively to all arrangements entered into or materially modified after the effective date or (ii) retrospectively. We are evaluating the effect of the adoption of ASU 2015-05 on our consolidated financial statements.

LETTER FROM OUR CHIEF EXECUTIVE OFFICER

Vertical Cloud-Based Solutions Are the Future

Our mission is to revolutionize the way small and medium-sized businesses grow and compete by enabling their digital transformation. We launched AppFolio with the belief that cloud-based solutions would evolve from horizontal software (that works for all types of business) to targeted solutions that are built to solve the needs of specific industries.

Today, our easy-to-use, cloud-based software solutions are helping small and medium-sized businesses in the property management and legal industries more effectively grow and compete. The power of cloud-based solutions allows us to put exceptional technology—usually reserved for the largest companies with ample resources—into the hands of small and medium-sized businesses. For small business owners, this is truly revolutionary; they now spend time growing their businesses instead of simply running them. Our customers modernize and automate their workflows and enhance their business interactions, which allows them to improve efficiency and productivity, realize a better work/life balance and stay competitive.

AppFolio is more than just great software. At the heart of our cloud-based solutions is a talented and agile product development team that understands the importance of listening to our customers so we can build for today and the future.

We believe that the vertical cloud-based opportunity is in its early days—this is an exciting time.

Our Roadmap for Business Success

We know that successful businesses do a few things really well:

- ***Deliver great products that are easy to use.*** Designing and developing great products, that customers love, is the core of our business. Making things simple actually requires a lot of thought and discipline and we are willing to go the extra mile to do this.
- ***Focus on customer success.*** We recently had a customer cry “happy tears” because she was so excited about her new software. We’ve received homemade cookies, scarves and handwritten notes from customers who are more successful because of our software. Our team is always looking for new opportunities to delight our customers with functionality, education and an outstanding support experience. We will never lose sight of our customers.
- ***Attract and grow great talent.*** We work hard to find the best team members and then work equally hard to provide a challenging and rewarding environment to keep them with us. We want our employees to feel like AppFolio is the “smallest big company they’ve ever worked for.” Happy employees are the roots of a healthy company culture, and I want all AppFolio employees to feel as proud as I do to work here.

No Shortcuts to Greatness

There are no shortcuts to greatness and unfortunately no such thing as an “overnight business success”! From the very beginning, we have focused on building an enduring, thriving company that will provide consistent value to our customers, employees, partners and investors. We feel that this long-term thinking will create even greater shareholder value over time, and we are looking to attract investors that share this view.

Looking Forward

I am often asked whether AppFolio will enter other industries in addition to property management and legal. Our software is transforming these two industries for small and medium-sized businesses, and we’re focused on

continuing to increase the value of our current software solutions. Property management and legal are huge opportunities for us, and in many ways we are just getting started. We have built a solid platform with a great depth of expertise on what each vertical requires for long-term success. This means we are poised to move faster than other cloud-based solution providers to capture new markets—if the right opportunity presents itself in the future, we will seize it.

As we enter this next phase of growth, we're very thankful for our AppFolio community of customers, employees, partners and investors. We're excited about what we've started and invite you to join us on the journey ahead.

Sincerely,

/s/ Brian Donahoo

Brian Donahoo
Chief Executive Officer

AppFolio, Inc.

BUSINESS

Our Mission

Our mission is to revolutionize the way small and medium-sized businesses grow and compete by enabling their digital transformation.

Overview

We provide industry-specific, cloud-based software solutions for SMBs in the property management and legal industries. Our platform is designed to be the system of record to automate essential business processes and the system of engagement to enhance business interactions between our customers and their clients and vendors. Our mobile-optimized software solutions have a user-friendly interface across multiple devices, enabling our customers to work at any time and from anywhere. Our property management software provides small and medium-sized property managers with an end-to-end solution to their business needs, enabling them to manage properties quickly and easily in a single, integrated environment. Our legal software provides solo practitioners and small law firms with a streamlined practice and case management solution, allowing them to manage their practices and case load within a flexible system. We also offer optional, but often mission-critical, Value+ services, such as our professionally designed websites and electronic payment services, which are seamlessly built into our core solutions.

SMBs face numerous issues that divert limited time and resources away from serving their clients and growing their businesses. The business activities of SMBs are complex and their day-to-day operations are often managed through inefficient manual processes and disparate software systems. The lack of automation and integrated technology places a significant administrative burden on these businesses, particularly in industries that involve unique workflows, relationships among multiple industry participants, significant data inputs, and compliance or regulatory requirements. While larger enterprises and consumers have been experiencing a transformational shift into the digital age, the legacy systems currently used by many SMBs are lagging behind in terms of technological sophistication and ease of use. In particular, many small and medium-sized property managers are still running their businesses using spreadsheets and a variety of point solutions that are not web-optimized while much of the real estate market has moved online. Similarly, solo practitioners and small law firms continue to be plagued by manual processes and outdated software despite the broader legal industry's increased comfort with cloud-based solutions.

Business management software, which initially served to differentiate competitors, is now critical to any business's survival and success in an increasingly connected and online world. The ability of SMBs to capitalize on the power of software to interact with their clients, vendors and other industry participants, and to mine the data and insights gleaned from these relationships, is integral to their ability to compete more effectively in commerce today, not only with other SMBs but also with larger enterprises. SMBs need an intuitive, reliable and fully integrated software solution that brings superior technology and services to their specific industry workflows and meets their key operational requirements.

We have custom-tailored our business to enable us to revolutionize the way that SMBs grow and compete. We refer to our approach to addressing similar, fundamental business needs of SMBs across our targeted verticals as our AppFolio Business System. At the center of our AppFolio Business System is a common technology platform, which provides functionality across our software solutions in our targeted verticals. We apply a disciplined approach of using market validation to select and develop new core functionality and Value+ services for our existing markets and to identify the most suitable adjacent markets and new verticals to pursue. Based on the results of our market validation process, we strive to deploy exceptional cloud-based technology designed to improve the efficiency and productivity of businesses. We use in-bound marketing, participation at customer and industry events, and in-app messaging to educate new and existing customers on how our software solutions can transform their businesses. Based on the foundation created by our marketing activities, our sales team quickly builds relationships with potential customers, assesses their business challenges and demonstrates

the benefits of our core functionality and Value+ services. We partner with our customers to navigate their digital transformation by streamlining the on-boarding process and providing ongoing advice on best practices. We continuously expand our core functionality and add new Value+ services based on feedback from our customers, which is collected across our organization and used by our research and product development team to release frequent updates to our software solutions. Our customer-centric culture fosters long-term relationships with our customers and helps to facilitate their business success.

Our core solutions address common business functions and interactions of SMBs in our targeted verticals by providing key functionality, including accounting, document management, real-time interactive search, data analytics and communication options. We currently offer APM for property managers and MyCase for law firms. APM is a comprehensive solution for the operational requirements of small and medium-sized property managers, including activities such as posting and tracking tenant vacancies, handling the entire leasing process electronically, administering maintenance and repairs with their vendor networks, managing accounting and reporting to property owners. MyCase is a flexible practice and case management solution for solo practitioners and small law firms, providing time tracking, billing and payments, client communication, coordination with other lawyers and support staff, legal document management and assembly, and general office administration. As MyCase is in an earlier stage of development than APM, we are continuing to expand its core functionality.

In addition to our core solutions, we offer a range of optional, but often mission-critical, Value+ services. Our Value+ services are available on an as-needed basis and enable our customers to adapt our platform to their specific operational requirements. Today, we offer certain Value+ services to both our property manager and law firm customers, namely, professionally designed websites and electronic payment services. In addition, we offer the following Value+ services to our property manager customers: resident screening; tenant liability insurance; and our contact center to resolve or route incoming maintenance requests. Over time, we anticipate offering similar and additional Value+ services across our targeted verticals.

Due to our strong leadership, talented team and investments across our organization, we have experienced significant growth. Our senior management has a proven track record, averaging over 15 years of experience as pioneers in the cloud-based software industry, many of whom have worked together since 1999. For the years ended December 31, 2013 and 2014, our revenue was $26.5 million and $47.7 million, respectively, representing year-over-year growth of 80%. For the three months ended March 31, 2014 and 2015, our revenue was $9.8 million and $15.8 million, respectively, representing period-over-period growth of 61%. We increased our employee headcount from 254 employees as of December 31, 2013 to 377 employees as of December 31, 2014 and to 430 employees as of March 31, 2015. As a result of the substantial increase in headcount, as well as other investments to expand our research and product development, customer service, and sales and marketing, and maintain and expand our technology infrastructure and operational support, we incurred net losses of $7.3 million, $8.6 million, $1.2 million and $3.6 million for the years ended December 31, 2013 and 2014 and the three months ended March 31, 2014 and 2015, respectively. We have invested, and intend to continue to invest, heavily in our business to capitalize on our market opportunity.

Industry Background

Small and Medium-Sized Businesses Are a Large and Important Segment of the Economy

SMBs represent a significant proportion, and are an essential driver, of the U.S. economy. In particular, SMBs spark innovation, create jobs, and provide opportunities for success. According to the U.S. Small Business Administration’s Office of Advocacy, in 2012, there were more than 28 million SMBs and, of those, the non-sole proprietor businesses employed approximately 56 million employees. Since the end of the U.S. recession, SMBs generated approximately 60% of net new jobs from mid-2009 through mid-2013.

Small and Medium-Sized Businesses Are Complex and Resource-Constrained

The business processes of SMBs are complex and involve a variety of participants, from employees to a myriad of external clients and vendors. Keeping track of communications and transactions with multiple industry participants has historically been time consuming, and establishing and managing these external relationships often requires a hands-on approach. SMBs must accomplish these tasks with fewer employees and limited financial resources available to invest in additional business infrastructure. SMBs need intuitive software solutions to improve business efficiency and productivity.

Small and Medium-Sized Businesses Still Rely on Manual Processes or a Patchwork of Legacy Software

While business today is increasingly conducted using cloud-based software, many SMBs have not adopted integrated, web-optimized technology solutions to unify and manage their business operations. Many of these companies still use manual processes or work with a variety of disparate systems. For example, the typical process for a property manager to post vacancies to rental listing sites and his or her website involves several hours each day manually entering the information for each property into listing services, one by one, over and over. SMBs require a fully integrated software solution that meets their specific workflow needs in order to replace time-consuming manual processes and consolidate limited-use point solutions.

Cloud-Based Software Is Particularly Well-Suited to Meet the Needs of Small and Medium-Sized Businesses

Historically, only larger enterprises have had the funding and expertise to purchase and configure software to support their business processes. However, the shift to cloud-based software has made it possible to provide SMBs with access to enterprise-grade solutions with quick deployment and access across multiple devices, typically on a subscription or pay-as-you-go basis. The rise of cloud computing has enabled companies to use cloud-based solutions as their primary system of record and system of engagement for their entire business at a lower cost of ownership than legacy on-premise solutions. Cloud computing also facilitates continuous software updates to enable technology to be easily adapted to the evolving needs of SMBs.

Mobility and Consumerization of IT Drive Expectations of Small and Medium-Sized Businesses and Their Clients

Technological advances have driven increased adoption of smartphones, tablets and other mobile devices, not only by consumers but also by businesses. In many cases, and particularly for interactions with many SMBs, mobile devices have become the primary platform for conducting business and consuming information. Compared to enterprises, which employ mostly desk-based workers, SMB owners and employees are highly mobile. In addition, increased use by consumers of websites such as Google, and widespread mobile adoption of social media applications such as Facebook and Twitter, have created expectations on the part of the clients of SMBs that consumer-like mobile applications will be available for use in their commercial interactions to facilitate delivery of service anytime, anywhere.

Vertical Cloud-Based Software Delivers Tailored Solutions to Small and Medium-Sized Businesses

While providers of horizontal cloud-based solutions have focused on developing software that can be applied across multiple verticals, vertical cloud-based solution providers have embraced mass customization by tailoring their applications to address the business needs of specific industries. As a result, vertical cloud-based solution providers have built significant domain expertise and close relationships with their customers, capitalizing on a customer feedback loop to better inform their product roadmaps and go-to-market strategy than their horizontal peers. Vertical cloud-based software vendors can provide SMBs with industry-specific solutions, which are not provided by one-size-fits-all horizontal software vendors. Vertical cloud-based solution providers are also well-positioned to take advantage of big data analytics by leveraging the data inherent in their customer base to deliver value-added functionality.

Small and Medium-Sized Businesses Are Constantly Evolving and Demand "Living Software"

The needs of SMBs are constantly evolving, and business management software is expected to keep pace by responding rapidly with new functionality. Developers have been able to capitalize on recent technological advances, lower development costs, greater social acceptance of technology and deeper industry knowledge to provide continuous software updates. Developers increasingly use a collaborative approach to software development, coordinating closely with product management, customer service and their sales and marketing departments, to optimize applications. In turn, technical expertise in software development, including the ability to reduce the time-to-market of a potentially disruptive solution, can assist SMBs to become leaders in their respective industries.

Small and Medium-Sized Businesses Need a Trusted Adviser to Help Navigate Their Digital Transformation

Owners and managers of SMBs have to balance a variety of different functions as part of their jobs. When they are using disparate systems to accomplish their daily tasks, frequently with little to no IT support, their everyday activities can quickly become onerous. SMBs need a strategic partner to outline digital initiatives and the framework within which to bring them into the digital future. Customer service can serve as a key differentiator for cloud-based solution providers by easing the on-boarding process, providing ongoing advice on best practices, and channeling customer feedback into the continuous development of the platform.

Our Market Opportunity

We believe that the lack of comprehensive, industry-specific, cloud-based software solutions for SMBs in many industries is a significant opportunity for us. According to Parallels, the cloud market for SMBs, which Parallels defines as the aggregate cloud market for infrastructure-as-a-service, web presence, communication and collaboration and business applications, was $62 billion in 2013 and will double by 2016, growing to $125 billion.[1] Additionally, according to Parallels, the U.S. SMB cloud market alone represented $24 billion in 2014 and is estimated to grow to $38 billion in 2017.[2] We currently offer our cloud-based solutions to SMBs in the property management and legal verticals, which represent a portion of the cloud market for SMBs, and believe our AppFolio Business System can be leveraged to develop, market, and sell business management software to SMBs in other industries.

For the property management vertical, based on our internal analysis and industry experience, we estimate the total addressable market in the United States to be at least $5.0 billion for SMBs (which we define as companies with 20 to 3,000 rental units under management, consisting of residential, commercial and HOA units). For the legal vertical, based on our internal analysis and industry experience, we estimate the total addressable market in the United States to be at least $2.0 billion for SMBs (which we define as law firms with less than 20 employees).

In the case of the property management vertical, we calculated the total addressable market in the United States for SMBs as the product of (i) the estimated number of residential, commercial and HOA units managed by SMBs multiplied by (ii) the estimated average revenue per unit, or ARPU, per year which we believe we are reasonably capable of achieving. We estimated the number of residential, commercial and HOA units managed by SMBs based on a review of publicly available information and the following assumptions: (a) we derived the total number of residential units by adding the total number of occupied and vacant units reported by the 2013 American Housing Survey, and then assumed the total number of those units managed by SMBs by reference to information reported by the National Multifamily Housing Council; (b) we derived an assumed total number of commercial units by dividing (x) the total square footage of commercial real estate in the United States reported by CoStar Group, Inc. by (y) our assumption of the average square footage of a commercial unit in the United States, and then assumed the total number of commercial units managed by SMBs by reference to information reported by the National Real Estate Investor and a number of other assumptions about the average size of SMB property managers and the number of units they manage based on the 2012 U.S. economic census data; and (c) we derived the total number of HOA units by reference to information reported by the Community Association Institute, and then made an assumption about the percentage of those units managed by SMB property managers. We estimated ARPU per year based on our estimate of the amount of

1 See (1) in the section entitled "Industry and Market Data."
2 See (2) in the section entitled "Industry and Market Data."

revenue we are capable of earning from our existing customer base, taking into account the current pricing and functionality of our property management software solution.

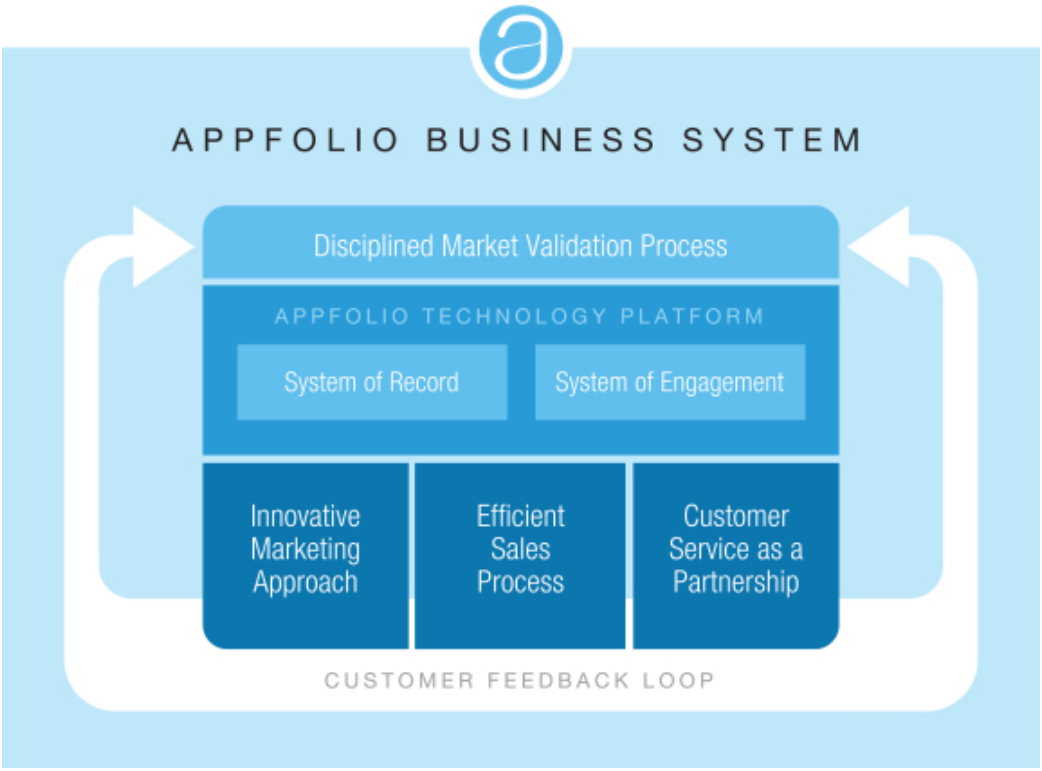
In the case of the legal vertical, we calculated the total addressable market in the United States for SMBs as the product of (i) the number of law firms with less than 20 employees and (ii) the estimated average revenue per law firm per year which we believe we are reasonably capable of achieving. We derived the number of law firms with less than 20 employees from the 2007 U.S. economic census data. We derived the estimated average revenue per law firm per year based on a management survey of a number of small law firms in the United States, which involved a detailed review of the software and services spend of those law firms.

Additionally, based on our experience, we believe that the available reports and surveys do not fully capture the future SMB revenue opportunity. A September 2014 study by Deloitte, commissioned by a third party, explores how technology has facilitated an increasing number of start-ups, driven rapid growth and increased the efficiency of more mature SMBs. According to Deloitte, almost 70% of SMBs surveyed expected to increase their use of cloud-based technology in the next three years.[3] It remains difficult, however, to predict the rate of adoption by new start-ups and SMBs that currently do not use any business management software. In the case of property management, industry-wide adoption of technology still trails behind that of many other industries. For many solo practitioners and small law firms, there has previously been no affordable alternative to the filing cabinets and staffing challenges of their traditional business model. While it is difficult to estimate aggregate SMB technology spend in any specific vertical, we believe it represents a significant opportunity for growth.

3 See (3) in the section entitled “Industry and Market Data.”

Our AppFolio Business System

Since our founding, we have established our culture and designed our business to meet the specific needs of SMBs in their particular industries. We refer to our approach to addressing the specific needs of SMBs across our targeted verticals as our AppFolio Business System. Our AppFolio Business System has been explicitly developed to find, evaluate and serve verticals in which we can deliver a transformative, easy-to-use software solution that can handle the key operational requirements of SMBs at a low overall cost of ownership.



Key elements of our AppFolio Business System include:

- ***Disciplined Market Validation Process***. Since our founding, we have worked closely with our customers, partners and other industry participants to inform our product roadmap. We have consistently applied a disciplined market validation process to select and develop new core functionality and Value+ services, and to identify the most suitable adjacent markets and new verticals to target. This approach facilitates faster and more focused product development, with higher confidence that our software solutions will rapidly find market acceptance within our targeted verticals.
- ***AppFolio Technology Platform***. At the center of our AppFolio Business System is our modern, cloud-based technology platform, which encompasses a wide variety of reusable core functionality and Value+ services that can be leveraged to provide continuous updates across our software solutions in our targeted verticals. The functionality of our platform has been developed with a view to improving business efficiency and productivity for SMBs. Because our software solution serves as both the system of record and the system of engagement for our customers, our software solutions quickly become essential to the operation of our customers' businesses.
- ***Innovative Marketing Approach***. We believe a key element of our AppFolio Business System is efficiently creating and delivering industry-specific content and educating SMBs in our targeted

verticals to build our market presence. Our go-to-market strategy across our targeted verticals leverages in-bound marketing techniques, including content marketing, SEO and SEM, and industry thought leadership, including our participation at customer and industry events, which are used by our sales development team to further nurture potential sales leads. We also use in-app messaging to remind existing customers of our Value+ services at natural points in their workflow, making it easy for our customers to increase usage and find out about new Value+ services.

- ***Efficient Sales Process***. Based on the foundation created by our marketing programs and sales development team, we are able to quickly build relationships with potential customers, assess their business challenges and demonstrate the benefits of our core functionality. Following on-boarding of our core solution, our sales team identifies specific Value+ services that enable our customers to further streamline and grow their businesses. Our transparent pricing model is designed to simplify the sales process by pricing subscriptions in a uniform manner based on the size of our customers' businesses. Value+ services are priced separately on a subscription or usage basis to allow our customers to adopt our Value+ services on an as-needed basis.
- ***Customer Service as a Partnership***. Our customer service team partners with our customers to assist them with on-boarding and help ensure they are optimally using our software solution early in their relationship with us. We believe this process is critical to our customers' success and plays an important role in customer retention. We also provide ongoing training and support, and regularly provide advice on best practices. Our customer service is an essential component of our AppFolio Business System, serving to deepen our relationships with our customers, maximize the value of our software solutions for their businesses, and encourage word-of-mouth referrals from satisfied customers.
- ***Customer Feedback Loop***. We are committed to listening to and understanding our customers based on proactive customer dialogue and feedback about our software solutions. This provides valuable insight into the operations of SMBs in our targeted verticals. Our product management team routinely engages with our customer service and sales and marketing organizations, as well as our customers, partners and other industry participants, to provide guidance to our engineering team. Our agile, team-based engineering approach and continual integration of customer feedback allows us to release frequent updates to our software solutions quickly and seamlessly. We continuously seek out the most talented developers to facilitate the delivery of exceptional technology to SMBs and to stimulate ongoing innovation.

These components of our AppFolio Business System strengthen our brands and customer loyalty, resulting in customer promotion and feedback that we leverage in developing, marketing and selling our software solutions across our targeted verticals.

Our Solutions

We provide SMBs with cloud-based business management software solutions that are designed and developed with our customers' industry-specific business needs in mind.

- ***All-in-One System***. Our core solutions have been designed and developed to suit the specific workflows of SMBs in our targeted verticals. We believe that, by focusing on specific industries, we are better able to provide our customers with broad functionality that meets their key business needs and eliminates their need for a myriad of disparate point solutions. Our vision for each vertical software solution includes fully integrated functionality that provides a single system of record to automate routine processes and a system of engagement to optimize business interactions among our customers and their clients and vendors.
- ***Essential Value+ Services***. Our software solutions include optional, but often mission-critical, Value+ services that our customers can adopt to enhance our core solutions. These services range from upfront professional website design to ongoing high-volume transactional services, such as electronic payment

services, in addition to industry-specific services, such as resident screening, for our property manager customers. By providing a base subscription that can be augmented with additional on-demand functionality, we enable our customers to select Value+ services that meet their specific business needs and scale with the growth of their business.

- ***Modern Cloud-Based Solutions***. We have designed and developed our software solutions on a modern cloud-based platform, allowing for rapid and cost-effective deployment of our enterprise-class software solutions and frequent updates to help ensure our software solutions incorporate the latest technological advances and adapt to industry trends.
- ***Built for Any Device, Anytime, Anywhere***. We recognize that SMBs handle multiple responsibilities that require them to be available 24/7, and they demand flexible software solutions that are compatible with the laptops, tablets and smartphones they already own to allow them to work at anytime and from anywhere. Our software solutions are designed to enable users to move seamlessly from one device to another, to run on multiple operating systems, including Mac OS, iOS, Windows and Android, and to launch in a variety of browsers.
- ***User-Friendly Interface***. We believe a key driver of the adoption and utilization of our software solutions is the easy-to-use and consumer-like nature of our interface. We invest significant time and resources in streamlining and rationalizing our functionality to enable an intuitive and user-friendly customer experience. Our users are often able to benefit immediately from our software solutions with little to no training. We designed our interface to resemble the social media applications our customers already use, making it easy to transition their businesses to our platform because of a preexisting familiarity.
- ***Ever-Evolving Functionality***. We direct our investment in research and product development based on our market validation findings and customer feedback loop, which inform the development of new core functionality and Value+ services that are directly relevant to our customers' businesses and foster best practices based on deep industry knowledge. Market validation and customer feedback will continue to be our guiding philosophy as we seek to prioritize and integrate new functionality in response to the needs of our customers.
- ***Vertical Data Analytics***. As a vertical cloud-based solution provider, we are uniquely positioned to capture data across our customer base, forming a new source of industry-specific business data. Our customers benefit from data analytics in the form of business performance management through a wide variety of customizable reports and business optimization through aggregated benchmarking data, which provides visibility across their industries.

Benefits of Our Solutions

- ***Benefits to Our SMB Customers***. Our cloud-based business management software solutions enable our customers to eliminate manual processes and collapse a myriad of point solutions into a single system of record and system of engagement, all at a lower cost than an inflexible on-premise software product. Our software solutions facilitate the automation of recurring transactions to improve efficiency, vertical data analytics to provide visibility, and seamless communication, which combine to produce tangible time savings, reduced expenses and increased revenue. For example, APM enables property managers to identify and capture quality prospects, achieve higher occupancy rates, optimize pricing and offer ancillary services. In the legal vertical, MyCase enables lawyers to better organize their cases and matters and expedite client communication, time tracking, billing and collections.
- ***Benefits to Clients of SMBs***. Our software solutions help ensure clients of SMBs experience high quality, professional service, improved responsiveness and easy access to useful information. Clients of SMBs are able to interact with the owners and managers of SMBs through our intuitive, consumer-like interfaces and to complete a variety of tasks online. For example, property owners can more easily evaluate the performance of their real estate portfolios based on easy-to-read monthly reports and

reliable payments, while residents experience a more streamlined renting process by taking advantage of online conveniences such as electronic rental applications and rent payments. In the legal vertical, clients can receive real-time and up-to-date accounts of the latest developments in their cases posted to private and secure portals to which they have on-demand access.

- ***Benefits to Vendors of SMBs***. Our software solutions enable vendors of SMBs to streamline transactions with the owners and managers of SMBs by automating processes and facilitating communications. For example, vendors are able to receive payments from property managers faster and more securely through direct deposit instead of cash or check. APM also has built-in property maintenance software that facilitates electronic work orders to vendors, for both one-time and recurring tasks, allowing vendors to schedule their jobs and allocate resources more efficiently. Maintenance technicians can then easily communicate with property managers and residents and complete work orders seamlessly through our platform.

Our Competitive Strengths

We believe that our significant growth within our targeted verticals is based on the following key competitive strengths:

- ***AppFolio Business System***. We believe that our AppFolio Business System, including our experience in market validation, as well as our consistent, multi-functional approach to using our customers' feedback, serves to differentiate us from our competitors. We strive to develop exceptional cloud-based technology capable of transforming our customers' businesses, and our product management team coordinates closely with our sales and marketing, customer service and engineering teams to continuously update and improve our user experience with new core functionality and Value+ services. We believe this approach enables us to create easy-to-use software solutions that more precisely meet our customers' needs. By re-using key elements of our platform across our software solutions and leveraging a common business strategy, we can more easily enter adjacent markets and new verticals.
- ***Deep Domain Expertise***. We have developed considerable industry-specific domain expertise within our targeted verticals. Our domain expertise within our targeted verticals allows us to address the unique workflows of our customers and differentiate ourselves from horizontal software competitors. This industry-specific knowledge enables us to offer a broad range of tightly integrated core functionality and Value+ services that would otherwise require the purchase and use of multiple disparate point solutions, such as accounting, payment, customer relationship management and business intelligence software. Our AppFolio Business System, including our disciplined market validation approach and customer feedback loop, positions us to build our industry expertise efficiently as we enter adjacent markets and new verticals.
- ***Focus on Vertical Cloud-Based Solutions for SMBs***. We recognized at the outset that SMBs have software needs and face challenges that are different from those of larger enterprises. We have focused exclusively on creating cost-effective, cloud-based solutions for SMBs, enabling us to create a full customer experience tailored to their unique needs. We believe we can more easily identify prospective customers and adapt our marketing strategies accordingly, resulting in lower customer acquisition costs and faster market penetration. We help SMBs that have limited time, money and expertise with on-boarding, dedicated training and support during the early stages of using our software solutions, and ongoing advice over the life of the customer relationship. We also utilize data captured across our customer base to deliver innovative new functionality and inform our product roadmap. We believe we can leverage our experience serving SMBs to address similar, fundamental business needs across our targeted verticals.
- ***Customer Obsessed***. We are intensely focused on customer happiness and success. By thoroughly understanding our customers' needs, we are able to deliver an exceptional customer experience. We continuously monitor customer satisfaction, seek feedback from our customers on our core solutions and Value+ services, and design and develop our offerings to deliver meaningful impact to our

customers. Our strong value proposition is validated through our customer reviews and real-time feedback that is published unfiltered on our website. Our customer-centric culture fosters long-term relationships with our customers, which translates into a high degree of revenue visibility and significant upside from Value+ service opportunities.

- ***Predictable Revenue Model***. We employ a business model that produces predictable revenues. We achieve this by charging recurring subscription fees for our core solutions and providing a number of Value+ services that are generally recurring in nature. Our business management software solution is a critical element of the day-to-day operations of our customers, leading to lasting customer relationships. We employ success-based pricing for our software solutions with a view to increasing our revenues over time as our customers' businesses grow and they increasingly adopt Value+ services.
- ***Experienced Management Team***. The members of our senior management team have a proven track record, averaging over 15 years of experience as pioneers in the cloud-based software industry, many of whom have worked together since 1999. This level of expertise enables our management team to effectively manage the challenges associated with building a lasting company.

Our Growth Strategy

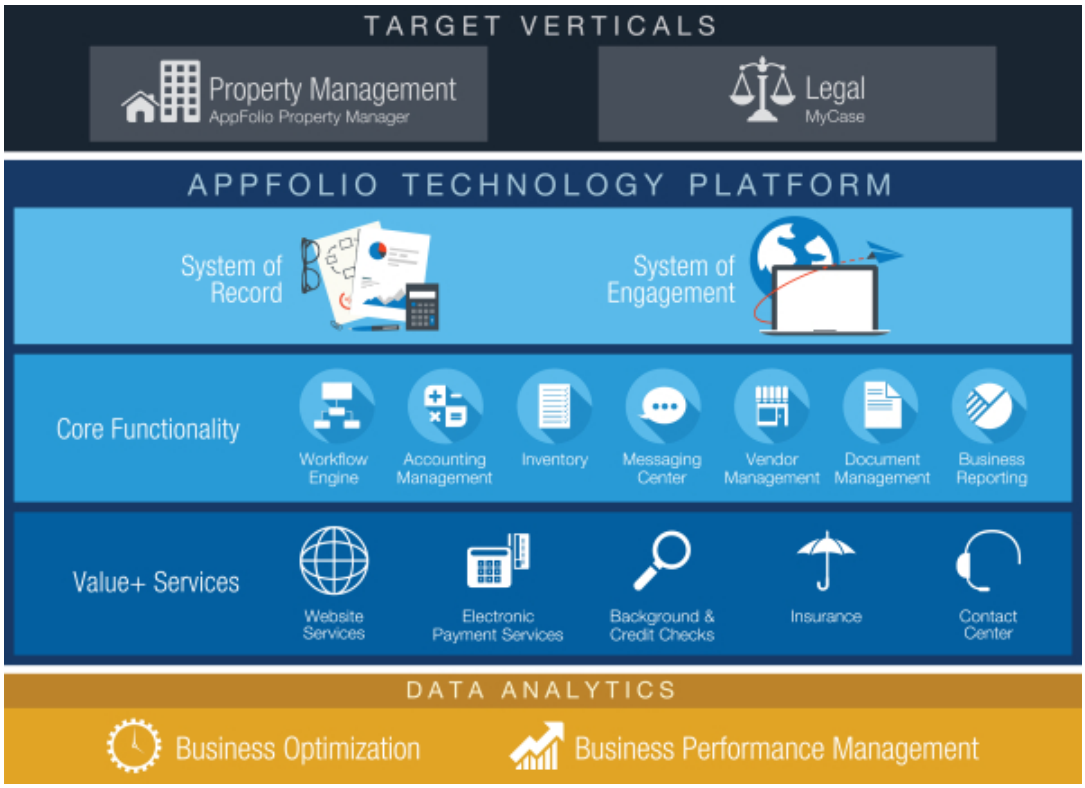
Our growth strategy is to provide increasingly valuable cloud-based business management software solutions to SMBs across the specific verticals we choose to target. We have managed, and plan to continue to manage, our business towards the achievement of long-term growth that we believe will positively impact long-term stockholder value, and not towards the realization of short-term financial or business metrics, or short-term stockholder value. Key components of our growth strategy include:

- ***Maintain Product and Technology Leadership***. We have made, and will continue to make, significant investments in research and product development to expand our core functionality and add new Value+ services through our continuous product innovation efforts. We intend to continue using market validation techniques and our close relationships with our customers as a key source of feedback to inform and direct our product roadmap. We may also choose to acquire technologies to accelerate our time-to-market for certain functionality or entry into adjacent markets or new verticals.
- ***Keep Our Existing Customers Happy***. Customer success is essential to our long-term success. We place significant emphasis on customer service to differentiate our software solutions from competing products and this will continue to be a critical component of our business strategy in the future. We do not separately charge our customers for ongoing training and support, which we believe is a key factor in retaining our existing customers and deepening their understanding of our core functionality and Value+ services. We believe that maintaining our focus on customer satisfaction will drive greater adoption and utilization of our software solutions, including through referrals from existing customers to potential new customers within our targeted verticals.
- ***Expand Adoption and Use by Existing Customers***. We intend to expand our core functionality and add new Value+ services to meet the evolving needs and requirements of our customers. We believe that, as our customers save time and money using our software solutions, they will have the opportunity to invest newly available resources to grow their businesses. As our customers grow, we expect they will use our technology to manage their larger businesses on our platform and increasingly adopt and use additional Value+ services.
- ***Target New Customers***. We plan to grow our customer base through our sophisticated sales and marketing programs, including industry thought leadership and education, and the referral power of satisfied customers promoting our software solutions within our targeted verticals. We believe that the market for cloud-based business management software is large and underserved both within the industries in which we currently operate and the broader SMB market. We believe that our prominent online presence and efficient sales and marketing infrastructure will continue to attract new customers in our targeted verticals.

- ***Enter New Adjacent Markets***. We currently participate in a number of markets within our existing verticals and are constantly evaluating adjacent markets based on our deliberate market validation strategy and customer feedback. We believe that, while we are continuously developing our software solution within one market, we can apply the product enhancements and learnings from that market as we extend our platform into each successive adjacent market. For example, APM's core functionality is tailored to single- and multi-family residences, student housing and commercial property; however, our customers currently use APM to manage mixed real estate portfolios that include various other property types. As a result, there are significant opportunities to expand our core functionality and add new Value+ services to serve adjacent markets, such as HOA, vacation rentals, senior living, and military and affordable housing.
- ***Expand into New Verticals***. We consistently review potential opportunities to expand into additional verticals. We plan to enforce a disciplined approach to growth by using market validation techniques to assess the scope and nature of business challenges faced by SMBs in any potential new vertical, their likelihood of purchasing a cloud-based solution to solve their problems and their potential spend on such solutions. Any new vertical will also need to fit within our proven business strategy, including our management team's assessment of available alternatives, such as the number and size of potential adjacent market opportunities, and the relative risk and return of these opportunities. After considering these factors, we determined to enter the legal vertical in 2012, and we expedited our time to market by acquiring MyCase. We are continuing to leverage our market validation process and customer feedback loop to build out our core solution and introduce additional Value+ services for our law firm customers as we expand into this new vertical.

AppFolio Technology Platform

We have developed a common technology platform that enables us to create business management software solutions for SMBs within our targeted verticals. Our integrated suite of applications spans many of our customers' most critical business needs by providing the system of record and the system of engagement. In conjunction with our core solution, we offer a number of Value+ services. Our Value+ services currently consist of website services, electronic payment services, background and credit checks, insurance services and contact center services. We have built our platform using a modern cloud-based architecture. Our software solutions are designed to run on any device and are compatible with any operating system, from the desktop in a customer's office, to his or her smartphone, to a tablet at home. As a result, our customers' data is available at any time and from any location. As a vertical cloud-based solution provider, we are uniquely positioned to capture data across our customer base, forming a new source of industry-specific business data. Our customers benefit from data analytics in the form of business performance management through a wide variety of customizable reports and business optimization through aggregated benchmarking, which provides visibility across participants in their industries.



AppFolio Property Manager

Core Functionality

Our property management software solution provides small and medium-sized property managers (including both third-party managers and owner-operators) with a multi-faceted solution for their operational requirements. We built APM from the ground up based on our analysis of the industry and input directly from property managers. APM includes the following core functionality:

- ***Powerful Accounting Software***. APM provides integrated accounting software specifically designed for property managers, including accounts payable, accounts receivable, trust accounting, Form 1099

creation, check printing, automatic bank reconciliation and Ratio Utility Billing to calculate a resident's share of monthly utility costs based on predetermined allocations.

- ***Data-Driven Management***. Unlimited storage allows all data to be centralized in APM, making it available to property managers on-demand through our dynamic search capabilities. APM also allows property managers to better understand and track their business performance through property-level budgets and many customizable reports covering accounting details, property details, and resident and vendor information.
- ***Effective Online Marketing***. Our tenant vacancy tracking software capitalizes on property data centralized in APM to streamline the listing process. In just a few clicks, property managers can manage listings on their own websites and make automatic feeds available to a wide variety of third-party listing sites, dramatically increasing the visibility of listings. Our core functionality also improves the quality of listings by allowing property managers to embed YouTube videos and use our professionally formatted HTML code for listings on third-party websites. All vacancy listings and tasks are then consolidated in real time to reflect the status of a property manager's current vacancies, with detailed metrics showing how vacancy rates are affected by changes in rent or marketing.
- ***Seamless End-to-End Lease Processing***. APM provides a mobile-friendly online leasing solution that allows prospective residents to complete online rental applications from the vacancy listings and upload photographs of their drivers licenses and other important documents. If approved, the property manager can generate a lease agreement pre-populated with the applicant's data that can be electronically signed by the new resident in real time. Our online lease template can be customized to create multiple lease agreements for different property types and requirements, including forms required by applicable law. We also recently introduced a lease renewal workflow, which automatically incorporates designated increases in rent into the relevant documentation.
- ***Streamlined Resident Communications***. Mass emailing capability and text messaging functionality in APM streamline communications and social interactions with residents. Our messaging center facilitates a range of communications from move-in and move-out instructions to invitations to resident events, as well as short, time-sensitive communications, such as maintenance alerts and late rent reminders. Our messaging center allows property managers to personalize communications and interact with property owners and vendors.
- ***Accessible Property Owner Reporting***. APM enables property managers to post to private and secure online owner portals. These postings typically include owner statements, completed work orders and other reports to which owners have on-demand access. Our owner statements are designed to be easy to read and user friendly, providing a helpful overview of transactions affecting the property in the past month, and facilitating better service by property managers to their clients.
- ***Transparent Property Maintenance***. APM's built-in property maintenance software facilitates electronic work orders to vendors, for both one-time and recurring tasks, which are organized in real time to provide a snapshot of all past and in-progress work orders. Residents can access tenant portals to submit online maintenance requests, which automatically create work orders upon acceptance by the property manager. This allows property managers to expedite response times, track and edit the status of repairs, and ensure that property issues are addressed in a timely manner.
- ***Convenient Payments to Owners and Vendors***. As an alternative to cash or checks, APM enables property managers to make payments to owners and vendors faster and more securely by depositing funds directly into their bank accounts. Like our other payment solutions, this functionality is built into APM so that payments are automatically entered into our accounting software.
- ***Property Inspection on Any Device***. Built-in property inspections functionality allows property managers to perform and manage on-site property inspections remotely on their preferred mobile device. Property managers can make notes directly in the application (or use their phone's speech-to-text functionality) and upload related photographs as they walk through the property. APM then

generates an inspection report in a fraction of the time it would take to type up handwritten notes and allows property managers to create work orders from flagged inspection items.

- ***Optimized Rent Comparison***. RentMatch, our rent comparison tool, quickly analyzes the rental price and characteristics of any given unit and uses data analytics to compare them to actual rental prices of units of similar size and bedroom count in the same geographical area, presenting the results in a user-friendly report.
- ***Variable Functionality for Different Property Types***. APM allows property managers to manage single- and multi-family residences, student housing, commercial property or mixed real estate portfolios, as well as optional rentable items such as parking spaces or storage. We are continually adding new core functionality, including rent-by-the-bed for student housing and the ability to allocate common area maintenance charges.

Value+ Services

Our Value+ services enable property managers to activate certain optional, but often mission-critical, functionality that is seamlessly built into APM and designed to improve the user experience in a number of significant ways.

- ***Professionally Designed Websites***. We collaborate with our customers to deliver and maintain websites that showcase modern and mobile-optimized designs, with unique sites customized for individual properties, including image galleries and floor plans. Our websites are fully integrated with APM's functionality, including vacancy postings, payment options, owner portals and maintenance requests. Property managers can track and analyze site traffic and lead generation and identify prospects by evaluating the guest cards on vacancy postings that are filled in by prospective residents.
- ***Electronic Payment Services***. Our payments platform provides prospective and current residents with a number of convenient and secure payment options. Prospective residents can pay rental application fees through our secure online rental applications. APM supports ACH payment processing (e-Check) and credit or debt card payments of security deposits and rent through our secure online tenant portals. These payment options eliminate the time and cost associated with processing physical checks. As a more secure alternative to cash and money orders, residents can make regular or last-minute Electronic Cash Payments at any 7-Eleven and ACE Cash Express location.
- ***Instant Background and Credit Checks***. APM offers instant background screening and credit checks for use during the rental application process. Instead of manually entering or faxing information to third-party service providers, APM allows property managers to simply press a "Screen Now" button upon receipt of a new online rental application and receive an easy-to-read report summarizing the results of a credit check and nationwide eviction and criminal records search. Customers also gain access to, and have the option to contribute to, Experian RentBureau rental payment history data, updated every 24 hours, to identify the highest quality residents and reduce the risk of bad debts.
- ***Reliable Insurance Coverage***. Property managers are increasingly requiring residents to carry tenant liability insurance to reduce the hassle and expense associated with resident-caused damage. APM facilitates enrollment of residents in a simple, easy-to-understand tenant liability insurance program, and allows property managers to link this service to lease signings and renewals and easily track resident compliance. Residents can choose to purchase insurance through a third party and provide proof of coverage, but our tenant liability insurance program seeks to provide residents with a cost-effective, integrated solution and property managers with a competitive advantage when marketing their services to owners.
- ***24/7 Maintenance Contact Center***. APM's contact center is manned 24 hours a day, 7 days a week, by professionally trained agents. These agents can act as an extension of the property manager's office to resolve or route incoming maintenance requests. Our answering service is designed to work seamlessly

with APM's property maintenance software. APM agents are equipped to enter non-emergency work orders directly into APM for the property manager's approval and dispatch vendors immediately in case of an emergency.

MyCase

Core Functionality

Our legal software solution is designed to assist solo practitioners and small law firms with administering their practice and managing their case load. We acquired MyCase in 2012 and are continuing to expand its functionality by leveraging our AppFolio Business System, including our experience gained in the property management vertical, to advance our software solution in the legal vertical. MyCase includes the following core functionality:

- ***On-the-Go Time Tracking***. MyCase allows attorneys to enter billable hours on their preferred mobile device, automatically linking time entries to the appropriate case or matter. Lawyers are able to handle multiple court appearances, meetings and other interactions without having to recreate their days after the fact. MyCase can also be used to track non-billable entries to monitor the performance and efficiency of flat-fee arrangements and contributions to pro bono work.
- ***Flexible Legal Billing Software***. MyCase's legal billing software can be used to generate detailed trust account balances and a wide variety of reports to track productivity and other firm metrics. It can also quickly pull unbilled time and expenses or flat fee balances into a professionally formatted invoice, which can be customized with the law firm's logo. Attorneys can use our Payment Plan Generator to easily define a payment schedule for a client with flexible due dates and balances. Our QuickBooks integration functionality provides a one-way sync of detailed accounting data into QuickBooks, ensuring consistency across accounting software.
- ***Secure Client Portals***. MyCase's integrated client portals provide clients with on-demand access to a variety of information, including sensitive and privileged communications, with the knowledge that such correspondence is private and secure and better protected than messages sent over unsecure email. Our client portals have a modern interface similar to that of social networking sites, with real-time activity streams to provide an overview of recent developments, and a comment stream associated with uploaded items shared with clients, who get automatic notifications of updates.
- ***Automated Organizational Tasks***. MyCase offers broad functionality to facilitate better organization of cases and matters, including centralized contacts, tasks, calendars and reminders accessible by the entire firm. Our workflow software allows lawyers to automate processes for routine tasks tailored to the type of case or matter. Calendars and reminders are synchronized in real time across all devices to assist the entire team with time management, and colleagues and clients receive notifications when calendar events are added. Practitioners can also link calendar events to the applicable case or matter to track associated billable hours.
- ***Robust Document Management and Collaborative Assembly***. MyCase provides a robust legal document management system, which, together with our unlimited storage and drag-and-drop upload tool, allows law firms to organize correspondence and other documentation in a searchable, centralized firm library. Our cloud-based platform allows colleagues to collaborate in drafting new documents, which can be assembled quickly and easily by capitalizing on our customizable templates.

Value+ Services

We currently offer two optional, but frequently essential, services to our law firm customers.

- ***Professionally Designed Websites***. Our professionally designed websites are fully integrated with MyCase so that practitioners and their clients can easily login to the site to access case and matter information, communicate and manage bills. Our websites are geared towards improving the

effectiveness of law firm marketing and building a mobile presence. We work with our law firm customers to build their brand by tailoring website content, providing professional images, creating a logo and purchasing their unique domain.

- ***Electronic Payment Services***. MyCase enables practitioners to accept credit or debit cards in their offices or over the phone and pay only normal merchant processing fees. In addition, by linking operating and trust accounts, practitioners can accept online payment of retainers and other amounts directly into these accounts.

Our Customers

Our business model is premised on long-term customer relationships. We had 2,586, 3,993 and 5,885 property manager customers as of December 31, 2012, 2013 and 2014, respectively. We had 713, 1,744 and 3,658 law firm customers as of December 31, 2012, 2013 and 2014, respectively. We had 4,471 and 6,491 property manager customers as of March 31, 2014 and 2015, respectively. We had 2,218 and 4,253 law firm customers as of March 31, 2014 and 2015, respectively. No customer represented more than 10% of our total revenue in the years ended December 31, 2012, 2013 and 2014 or the three months ended March 31, 2014 and 2015. Our property manager customers include third-party managers and owner-operators, managing single- and multi-family residences, commercial property and student housing, as well as mixed real estate portfolios. Our property manager customers typically manage portfolios ranging from 20 to 3,000 units. Our customers in the legal vertical are generally solo practitioners and small law firms with less than 20 lawyers.

Culture and Employees

We believe our people are at the heart of our success and our customers' success. We endeavor to attract and hire the most talented employees and provide a challenging and rewarding environment to motivate and bring out the best in them. We believe our ability to create and grow our company culture provides us with a significant competitive advantage by stimulating strong teams capable of executing our strategic plans and encouraging innovation. We subscribe to six core values, which capture the culture of our organization:

- Simpler Is Better
- Great, Innovative Products Are Key To A Great Business
- Great People Make A Great Company
- Listening To Customers Is In Our DNA
- Small, Focused Teams, Keep Us Agile
- We Do The Right Thing Because It's Good For Business

As of March 31, 2015, we had 430 employees across our offices in Santa Barbara, California, San Diego, California and Dallas, Texas. We also hire temporary employees and consultants. We consider our relations with our employees to be good. None of our employees are represented by a labor union or covered by a collective bargaining agreement.

Technology and Operations

Data Security and Availability

Historically, the cost and complexity of on-premise architectures have meant that only large enterprises can afford advanced data security and back-up servers. We have made significant investments in the most current technology in order to make these benefits available to SMBs.

We use Ruby-on-Rails as our web application framework for both APM and MyCase. Our software solutions run on a combination of both public and private cloud infrastructure, consisting of both our own servers and Amazon's Elastic Compute Cloud, or EC2, platform. Our servers are located in state-of-the-art data centers

operated by third-party service providers. Physical security at these facilities includes a variety of access controls, including electronic keycards, pin codes, biometric hand scans and mantraps, and policing by high resolution, motion sensitive video surveillance. These facilities provide redundant power and a system of heating, ventilating and air conditioning, as well as fire-threat detection and suppression. We utilize a system of redundant routers, switches, server clusters and back-up systems to help ensure high availability. Amazon is widely recognized for operating state-of-the-art, highly available data centers.

With respect to Internet security, sensitive data, such as passwords, Social Security and tax identification numbers, are encrypted before being written to disk. In addition, all network connections are encrypted. Data is backed up using Amazon's Simple Storage Service, or S3, providing high durability, and we also perform regular backups of all customer data. We evaluate our Internet security regularly, including through third-party penetration testing.

In addition, our software solutions allow our customers to define roles that provide different levels of access to users, allowing them to view and modify specific items depending on their role. Supervisors can distribute work to on-site staff in a secure and controlled environment, while leadership retains visibility across the entire system.

Research and Product Development

We entrust product design, development and testing to our talented team of engineers, who coordinate closely with our product management team to launch new core functionality and Value+ services. Our engineers are organized in smaller groups to foster agility and continued innovation in responding to the evolving needs of our customers. We leverage a collaborative, team-based and test-driven approach to engineering to release new code frequently. We believe that it is easier for our customers to adjust to these continuous updates to our software solutions, which incrementally change and improve their user experience, than it is to adapt to the infrequent, but more drastic, upgrades of legacy on-premise software.

We rely heavily on input from our customers in developing products that meet their needs and anticipate developments in their respective industries. Our product management team leads our research and market validation efforts and provides guidance to management and to our engineering team based on our collective domain expertise and in-depth knowledge and understanding of our customers. As a result, our product management team engages regularly with customers, partners and other industry participants, as well as our customer service and sales and marketing organizations. Our product management team manages our development projects generally and serves to align separate functions within the company with a single strategic vision.

Our research and product development expense was $5.1 million, $6.5 million, $1.1 million and $2.0 million for the years ended December 31, 2013 and 2014 and the three months ended March 31, 2014 and 2015, respectively.

Sales and Marketing

We leverage a modern marketing approach along with marketing automation technology to build brand recognition and our reputation as an industry leader in our targeted verticals. Across our digital and in-person marketing activities, we focus on authenticity and transparency, and seek opportunities to showcase the voice of happy customers. Targeting SMBs within our verticals allows us to more easily identify prospective customers and tailor our marketing and sales strategies accordingly, resulting in a lower customer acquisition cost and faster market penetration.

We participate in and drive industry thought leadership and education with both online and offline activities. We attend, host and present at a number of industry events and support educational opportunities in the form of trade shows, conferences and webinars across the United States, details of which are made available on our

product websites. We host informational lunches and networking opportunities in key cities in the form of “Meet Ups,” which bring together existing and prospective customers. Our online user forums facilitate discussions with other industry participants and serve as a great resource for tips on using our platform and best practices. We also make a number of valuable educational resources available for free through our industry partners and on our industry websites, such as PropertyManager.com and our blogs. We are able to capitalize on the resulting network effect, which builds goodwill through customer reviews and testimonials, word-of-mouth referrals and references from other industry participants.

We use a variety of in-bound marketing techniques to promote our software solutions, including content marketing, SEO, SEM, social media and advanced digital advertising tactics. We believe our success in this area is borne out by the increasing number of unique visits to our product websites, as well as the increasing interest in our brands, as evidenced by Google search activity. Our dedicated sales development team acts in partnership with our in-bound marketing efforts to reach potential customers, generate additional sales opportunities and speed the time from evaluation to close. We offer free trials of both APM and MyCase. Our sales representatives can then assist prospective property manager customers as they evaluate and choose APM, while prospective law firm customers generally sign up for a 30-day free trial on a self-service basis (with additional support from a live sales development representative as needed).

Our sales team works closely with our marketing organization to find and acquire new customers as well as expand adoption and use by existing customers. We have a metrics-driven sales culture with a focus on early indicators that lead to strong pipeline creation. We leverage technology and specialization of resources along with an emphasis on continued training and development to maximize the productivity and speed the ramp time for each sales representative. Our interactive sales methodology allows the sales team to quickly build relationships, assess the customer’s business challenges, and demonstrate the benefits of our core functionality and Value+ services.

Throughout the customer relationship, we continue to promote adoption and usage of our Value+ services in a variety of channels, including email, webinars, training, sales outreach and within our software solution via in-app messaging. While APM and MyCase customers are using our core solutions, in-app messaging puts additional Value+ services right in their workflow. This makes it easy for customers to increase usage or find out about additional Value+ services in an unobtrusive manner. Our Value+ sales team then works in tandem with our marketing organization to sell and increase adoption and usage of our Value+ services. This combination of activities gives us a unique advantage to build a strong relationship with our customers while helping them maximize their investment in our software solutions.

Customer Service

Our success is based on long-term customer retention, not a one-time sale, and we partner with our customers throughout the life of the customer relationship to help them navigate their digital transformation. We design our software solutions to be simple and easy—easy to switch to, set up, use and manage. We offer unlimited training and support across our software solutions at no extra charge. We pride ourselves on being customer-centric and strive to educate our customers on the additional core functionality and Value+ services they can use to improve business efficiency and productivity.

Our on-boarding team strives to ensure that customers are prepared to run their businesses on our platform and provide the best on-boarding experience in the industry. Based on our assistance with data migration, we are able to provide valuable insights into data integrity and work diligently with our customers to help resolve any issues in their underlying business processes. We also assist our customers with the configuration of our platform for particular property types or cases. We provide a dedicated team throughout the on-boarding process and ongoing planning thereafter, including compliance with best practices. Our Value+ team includes a number of employees focused on guiding our customers through the adoption of our Value+ services, which may require additional information or underwriting as part of the on-boarding process for compliance or regulatory reasons.

Our software solutions are designed to be highly intuitive so that our customers can learn to use them in a matter of hours, as opposed to days and weeks. Nevertheless, we provide a variety of training options to assist with this process. Our instructors offer several live-streamed training courses each week, and also make available recorded training courses, which can be accessed on demand. These are centralized in our online help resource centers, along with downloadable guides, job aids and other reference materials. Our training is designed to provide product overviews for those in the process of converting to our software solutions, as well as in-depth, step-by-step instructions and ongoing education for those seeking to leverage greater functionality.

Our cloud-based platform allows us to fix issues quickly and to continuously improve our customers' experience through ongoing updates to our software solutions. However, when issues and questions do arise, we strive to ensure that a real person is available to respond to a customer's concerns quickly and intelligently. Early in their relationship with us, we seek to confirm our accounting software is fully integrated with our customers' business processes and track several key metrics to help ensure full utilization of our software solution. Throughout the customer relationship, our customer loyalty team proactively engages with our customers to facilitate our customers' success. Similarly, our Value+ team includes employees focused exclusively on expanding Value+ service adoption and usage by new and existing customers and providing expertise with respect to related services. We also have engineers focused on infrastructure, operations and application support.

Competition

The overall market for business management software is global, highly competitive and continually evolving in response to changes in technology, operational requirements, laws and regulations. While we focus on providing software solutions to SMBs in our targeted verticals, we compete with other vertical cloud-based solution providers that serve companies of all sizes and horizontal cloud-based solution providers that offer broad solutions across multiple verticals.

In the property management vertical, our competitors include established vertical software vendors, such as RealPage and Yardi. In the property management vertical, we also compete with cloud-based solution providers whose services are geared toward individual landlords with smaller portfolios than those of our targeted customers. In the legal vertical, our competitors include established vertical software vendors, such as Thompson-Reuters and LexisNexis, and newer market entrants, such as Clio.

We also see competition from numerous cloud-based solution providers that focus almost exclusively on one or more point solutions. For example, in the property management vertical, we compete with listing services, tenant screening applications and specialists in lease forms. In the legal vertical, we compete with time tracking, legal billing and payment services. Continued consolidation among cloud-based solution providers could lead to significantly increased competition.

We believe the principal competitive factors in our market include the following:

- ease of deployment and use of software solutions and applications;
- total cost of ownership;
- data security and availability;
- breadth and depth of functionality in software solutions and applications;
- nature and extent of mobile interface;
- level of customer satisfaction;
- size of customer base and level of user adoption and usage;
- brand awareness and reputation;
- ability to innovate and respond to customer needs rapidly;

- domain expertise with respect to our targeted verticals; and
- ability to leverage a common technology platform and business strategy.

We believe that we compete favorably on the basis of these factors and that the domain expertise required for developing, marketing and selling successful software solutions in the property management and legal verticals may hinder new entrants that are unable to invest the necessary resources to develop and deploy software solutions with the same level of functionality as ours. We also believe that we can leverage our expertise in serving the SMB market, as well as reusable technological components and operational synergies, to enter adjacent markets and new verticals more efficiently than many other cloud-based solution providers.

Facilities

Our corporate headquarters are located in Santa Barbara, California and consist of approximately 43,000 square feet of space under a lease that expires in 2018. We have an option to renew the lease for three years. In April 2015, we leased additional space in Santa Barbara under a lease that expires in 2020. In addition to our headquarters, we lease space in San Diego, California and Dallas, Texas under leases that expire in 2016.

We lease all of our facilities and do not own any real property. We intend to procure additional space as we add employees and expand geographically. We believe our current facilities are adequate for our current needs and that, should it be needed, suitable additional or alternative space will be available to accommodate any such expansion of our operations.

Intellectual Property

We rely on a combination of patents, copyrights, trademarks, trade secrets, confidentiality procedures and contractual restrictions to establish and protect our proprietary rights in our core solutions and Value+ services. As of March 31, 2015, we had eight issued U.S. patents that directly relate to our technology that expire between 2026 and 2031, and we had three pending patent applications in the United States and two pending patent applications internationally. We intend to pursue additional patent protection to the extent we believe it would be beneficial and cost effective.

We registered “AppFolio” and certain other marks as trademarks in the United States and several other jurisdictions. We also filed trademark applications in the United States and certain other jurisdictions and will pursue additional trademark registrations to the extent we believe it would be beneficial and cost effective. We are the registered holder of a variety of domestic and international domain names that include “appfolioinc.com,” “appfolio.com,” “mycase.com,” “propertymanager.com” and similar variations. We also license software from third parties for use in our solutions, including open source software and other software available on standard commercial terms.

We control access to our proprietary technology by entering into confidentiality and invention assignment agreements with our employees and contractors and confidentiality agreements with third parties. Despite our precautions, it may be possible for unauthorized third parties to copy our software solutions and use information that we regard as proprietary to create products and services that compete with ours.

Some license provisions protecting against unauthorized copying, use, transfer and disclosures of our software solutions may be unenforceable under the laws of certain jurisdictions and foreign countries. In addition, the laws of some countries do not protect proprietary rights to as great an extent as the laws of the United States, and many foreign countries do not enforce these laws as diligently as government agencies and private parties in the United States. To the extent that we expand internationally, our exposure to unauthorized copying and use of our software solutions and misappropriation of our proprietary technology may increase.

We expect that software and other solutions in our industry may be increasingly subject to third-party infringement claims as the number of competitors grows and the functionality of products in different industries and segments overlap. Moreover, many of our competitors and other industry participants have issued patents or filed patent applications, and have asserted claims and related litigation regarding patent and other intellectual property rights. From time to time, third parties have asserted patent, copyright, trademark, trade secret and other intellectual property rights within our industry.

Legal Proceedings

From time to time, we are involved in various legal proceedings arising from the normal course of business activities. We are not presently a party to any litigation the outcome of which, we believe, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, cash flows or financial condition.

MANAGEMENT

Executive Officers, Directors and Director Nominees

The following table sets forth information concerning our executive officers, directors and director nominees as of March 31, 2015:

Name	Age	Position
Executive Officers:		
Brian Donahoo	51	President, Chief Executive Officer and Director
Klaus Schauser	52	Chief Strategist, Founder and Director
Jonathan Walker	46	Chief Technology Officer and Founder
Ida Kane	45	Chief Financial Officer
Non-Employee Directors and Director Nominees:		
Andreas von Blottnitz(1)(2)	49	Chairman of the Board of Directors
Timothy Bliss(3)	62	Director
Janet Kerr(1)(2)(3)	60	Director Nominee
James Peters(1)(3)	68	Director Nominee
William Rauth(2)	71	Director Nominee

(1) To serve as a member of our audit committee.
(2) To serve as a member of our compensation committee.
(3) To serve as a member of our nominating and corporate governance committee.

Executive Officers

Brian Donahoo has served as our President and Chief Executive Officer and as a director since 2007. From 1999 to 2007, Mr. Donahoo served as the Senior Vice President for Products and Services at Expertcity, Inc. a provider of web-based remote desktop access software, which was acquired by Citrix Systems, Inc. (NASDAQ: CTXS) in 2004 and later renamed CitrixOnline LLC. Previously, Mr. Donahoo served as Site Director at Stream International, a provider of services to the technology industry, from 1995 to 1999. Mr. Donahoo received a B.S. in Psychology from Colorado State University.

We believe Mr. Donahoo's valuable perspective and experience as our President and Chief Executive Officer, considerable experience in the software industry, and extensive leadership skills qualify him to serve on our board of directors.

Klaus Schauser co-founded AppFolio in 2006 and has served as our Chief Strategist and a director since 2007. Mr. Schauser was a co-founder and, from 1999 to 2005, the Chief Technology Officer, of Expertcity, Inc., which was acquired by Citrix Systems, Inc. (NASDAQ: CTXS) in 2004. He has also served as a Professor of Computer Science at the University of California, Santa Barbara. Mr. Schauser received a Ph.D. in Computer Science from the University of California, Berkeley.

We believe Mr. Schauser's background as the founder of two cloud-based solution providers, as well as his deep industry and technology experience, qualify him to serve on our board of directors.

Jonathan Walker co-founded AppFolio in 2006 and has served as our Chief Technology Officer since 2006. Prior to co-founding AppFolio, in 2004, Mr. Walker co-founded Versora, Inc., a provider of software products and professional integration services, and served as its Chief Technology Officer from 2004 to 2006. Prior to

founding Versora, Inc., Mr. Walker served as Chief Technology Officer of Miramar Systems, Inc., a data migration solutions provider, until its acquisition by CA, Inc. (NASDAQ: CA) in 2004. Mr. Walker received a B.S. in Business and Economics from Westmont College.

Ida Kane has served as our Chief Financial Officer since February 2015. From 2010 to 2015, Ms. Kane served as Chief Financial Officer and Corporate Secretary of Rightscale, Inc., a cloud-based solution provider. From 2005 to 2009, Ms. Kane served as Chief Financial Officer at thinkorswim Group Inc. (NASDAQ: SWIM), an online option trading and investor education company, until its sale to TD Ameritrade Holding Corporation (NYSE: AMTD). Prior to joining thinkorswim Group Inc., Ms. Kane served as Chief Financial Officer and Vice President of Operations of a business unit of Franklin Covey Co. (NYSE: FC). Ms. Kane received a B.S. in Accounting and an M.B.A. from the University of Miami in Florida and earned her CPA license (inactive) from the State of Florida.

Non-Employee Directors

Andreas von Blottnitz has served as a member of our board of directors since 2007. Mr. von Blottnitz is a former venture partner of BV Capital Management, LLC, or BV Capital, one of our principal stockholders, which he joined in 2005. He currently serves on the board of directors of a number of private companies. From 1999 to 2004, he served as the Chief Executive Officer of Expertcity, Inc., which was acquired by Citrix Systems, Inc. (NASDAQ: CTXS) in 2004. Mr. von Blottnitz received a B.A. in Business Sciences from Wirtschaftsakademie in Hamburg, Germany.

We believe Mr. von Blottnitz's background as a director and officer of multiple companies in the technology industry, his extensive investing experience, and his leadership and strategic planning skills qualify him to serve on our board of directors.

Timothy Bliss has served as a member of our board of directors since 2008. Mr. Bliss has been a partner of IGSB for over 30 years. He also serves on the board of directors of a private company. He received a B.A. from Harvard College and an M.B.A. from the Stanford Graduate School of Business.

We believe Mr. Bliss's seven years of experience with AppFolio and his long history of investing in and building technology companies qualify him to serve on our board of directors.

Non-Employee Director Nominees

Janet Kerr has been appointed to serve as a member of our board of directors commencing immediately following the effectiveness of the registration statement of which this prospectus is a part. Ms. Kerr is Professor Emeritus, founder and former Executive Director of the Geoffrey H. Palmer Center for Entrepreneurship and the Law at Pepperdine University School of Law. She is a well-known author in the areas of securities, corporate law and corporate governance, having published several articles and a book on the subjects. Ms. Kerr has founded or co-founded several technology companies, including X-Labs. She is currently a Strategic Advisor to Bloomberg BNA, a member of the National Association of Corporate Directors, and of counsel to Nave & Cortell LLP. Ms. Kerr is a member of the board of directors and chair of the nominating and corporate governance committee of each of La-Z-Boy, Inc. (NYSE: LZB), a furniture retailer and manufacturer, and Tilly's, Inc. (NYSE: TLYS), a retailer of action sports inspired apparel, footwear and accessories. Additionally, she is a member of the board of directors and audit committee of both TCW Funds and TCW Strategic Income Fund, Inc., an NYSE-listed closed-end registered investment company.

We believe Ms. Kerr's extensive corporate governance experience, together with her experience serving on the board of directors of other public companies, qualify her to serve on our board of directors.

James Peters has been appointed to serve as a member of our board of directors commencing immediately following the effectiveness of the registration statement of which this prospectus is a part. Mr. Peters served as a partner in the audit practice of Ernst & Young for 24 years, during which time he held a number of administrative positions, including as a Pacific Southwest Area Resource & Production Management Partner, and as a member of the Pacific Southwest Area Assurance and Advisory Business Services Leadership Committee. From 2007 until 2014, he served as a member of the board of directors and chair of the audit committee of Conversant, Inc. (NASDAQ: CNVR), until it was acquired by Alliance Data Systems Corporation (NYSE: ADS) and, from 2006 until 2007, he served as a member of the board of directors and chair of the audit committee of Natrol, Inc. (NASDAQ: NTOL), which was acquired by Plethico Pharmaceutical Limited, a company that is publicly-traded on the National Stock Exchange of India Ltd. Mr. Peters currently serves as a member of the board of directors of a private company. He is a member of the National Association of Corporate Directors and also completed the Director's Training Program at the UCLA Anderson School of Management, where he was an instructor of the Program. Mr. Peters received a Certificate of Management Accounting from the Institute of Management Accountants and earned his CPA license (inactive) from the State of California.

We believe Mr. Peters's extensive accounting and auditing experience, together with his experience serving on the board of directors of multiple companies, qualify him to serve on our board of directors.

William Rauth has been appointed to serve as a member of our board of directors commencing immediately following the effectiveness of the registration statement of which this prospectus is a part. Mr. Rauth has been a partner of IGSB for over 40 years. He was a founder of the law firm, Stradling Yocca Carlson & Rauth, P.C., where his practice focused on corporate and securities transactions for over 20 years until his retirement from the legal profession. Mr. Rauth has consulted with, and served on, the board of directors of numerous public and private companies. He received a B.A. in Economics from the University of California, Santa Barbara, and a J.D. from the University of California, Berkeley.

We believe Mr. Rauth's significant experience working with companies in various industries and different stages of the corporate lifecycle, as well as his extensive legal experience, qualify him to serve on our board of directors.

Director Independence

Our board of directors has undertaken a review of the independence of each of our directors and director nominees. Based on the information provided by each director and director nominee concerning his or her background, employment and affiliates, our board of directors has affirmatively determined that Messrs. von Blottnitz, Bliss, Peters and Rauth and Ms. Kerr do not have relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors meet the definition of "independent director" under the applicable NASDAQ listing standards. In making these determinations, our board of directors considered the current and prior relationships that each non-employee director and director nominee has with our company and all other facts and circumstances our board of directors deemed relevant, including the transactions described in the section entitled "Certain Relationships and Related Party Transactions."

Board of Directors

Immediately following the effectiveness of the registration statement of which this prospectus is a part, our board of directors will consist of seven members, five of whom will qualify as independent under the applicable NASDAQ listing standards.

Pursuant to our current certificate of incorporation and amended and restated voting agreement, Mr. von Blottnitz serves on our board of directors as nominee of the holders of our Series A convertible preferred stock, Mr. Bliss serves on our board of directors as nominee of the holders of our Series B convertible preferred stock, Series B-1 convertible preferred stock, Series B-2 convertible preferred stock, and Series B-3 convertible

preferred stock, voting together as a single class, and Mr. Donahoo serves on our board of directors as the designee reserved for the person serving as our Chief Executive Officer. Our amended and restated voting agreement will terminate upon the completion of this offering, and the provisions of our current certificate of incorporation by which our directors were elected will be amended and restated in connection with this offering. See the section entitled "Certain Relationships and Related Party Transactions—Amended and Restated Voting Agreement," for additional information.

After the completion of this offering, the number of directors will be fixed by our board of directors, subject to the terms of our amended and restated certificate of incorporation and amended and restated bylaws that will become effective prior to the completion of this offering. Following this offering, the persons nominated to be directors at each annual meeting of stockholders who receive the highest number of affirmative votes will be elected to our board of directors.

Classified Board of Directors

Prior to the completion of this offering, our amended and restated certificate of incorporation and amended and restated bylaws will provide for a classified board of directors consisting of three classes of directors, each serving staggered three-year terms. Our directors will be divided among the three classes as follows:

- Class I will initially consist of Mr. von Blottnitz and Ms. Kerr, whose terms will expire at our annual meeting of stockholders to be held in 2016;
- Class II will initially consist of Messrs. Peters, Rauth and Schauser, whose terms will expire at our annual meeting of stockholders to be held in 2017; and
- Class III will initially consist of Messrs. Bliss and Donahoo, whose terms will expire at our annual meeting of stockholders to be held in 2018.

Directors in a particular class will be elected for a three-year term at the annual meeting of stockholders in the year in which the term of that class of directors expires. As a result, only one class of directors will be elected at each annual meeting of stockholders, with the other classes continuing for the remainder of their respective three-year terms. Each director's term continues until the election and qualification of his or her successor, or his or her earlier death, resignation or removal. Any newly created directorships resulting from an increase in the number of directors or a vacancy may be filled by the directors then in office.

Directors may only be removed for cause by the affirmative vote of the holders of a majority of the combined voting power of the outstanding shares of our capital stock. Because only approximately one-third of our directors will be elected at each annual meeting, two consecutive annual meetings of stockholders could be required for stockholders to change a majority of our board of directors.

This classification of our board of directors may have the effect of delaying, deterring or preventing changes in control of our company.

Board Leadership Structure and Board Role in Risk Oversight

The positions of Chairman of our board of directors and Chief Executive Officer are presently separated. We believe that separating these positions allows our Chief Executive Officer to focus on our day-to-day business, while allowing our Chairman to lead our board of directors in its fundamental role of providing advice to and independent oversight of management. Our board of directors recognizes the time, effort and energy that our Chief Executive Officer is required to devote to his position in the current business environment, as well as the commitment required to serve as our Chairman, particularly as our board of directors' oversight responsibilities continue to grow. While our amended and restated bylaws and corporate governance guidelines do not require that our Chairman and Chief Executive Officer positions be separate, our board of directors believes that having separate positions is the appropriate leadership structure for us at this time and demonstrates our commitment to good corporate governance.

Committees of the Board of Directors

Our board of directors has established three permanent committees: our audit committee; our compensation committee; and our nominating and corporate governance committee. Our board of directors has adopted written charters for each of these committees, all of which satisfy the applicable NASDAQ listing standards and will be available on our website upon the completion of this offering. In addition, from time to time, special committees may be established under the direction of our board of directors when necessary to address specific issues. Members will serve on these committees until their resignation or until otherwise determined by our board of directors. The composition and responsibilities of each of the committees of our board of directors are described below.

Audit Committee

Immediately following the effectiveness of the registration statement of which this prospectus is a part, we will have an audit committee consisting of Messrs. Peters and von Blottnitz and Ms. Kerr, each of whom has been determined to satisfy the independence and financial literacy requirements under applicable SEC rules and regulations and the applicable NASDAQ listing standards. Mr. Peters will serve as chair of our audit committee. Our board of directors has affirmatively determined that Mr. Peters is an "audit committee financial expert" within the meaning of Item 407(d) of Regulation S-K under the Securities Act. Upon the completion of this offering, our audit committee will be responsible for, among other things:

- appointing, terminating, compensating and overseeing the work of any independent registered public accounting firm engaged to prepare or issue an audit report or other audit, review or attest services;
- monitoring and evaluating the independent registered public accounting firm's qualifications, performance and independence on an ongoing basis;
- reviewing and discussing with management and the independent registered public accounting firm our annual and quarterly financial statements;
- reviewing and discussing the adequacy and effectiveness of our auditing, accounting and financial reporting processes and systems of internal control that are followed by the independent registered public accounting firm, our internal audit function and our financial and senior management;
- establishing and overseeing procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential, anonymous submission by our employees regarding questionable accounting or auditing matters;
- investigating any matter within the scope of its duties brought to its attention and engaging independent counsel and other advisors as our audit committee deems necessary;
- reviewing and approving related party transactions for potential conflict of interest situations on an ongoing basis;
- reviewing and assessing the adequacy of its written charter on an annual basis; and
- overseeing such other matters as are specifically delegated to our audit committee by our board of directors from time to time.

Compensation Committee

Immediately following the effectiveness of the registration statement of which this prospectus is a part, we will have a compensation committee consisting of Messrs. Rauth and von Blottnitz and Ms. Kerr, each of whom has been determined to be an independent director under applicable SEC rules and regulations and the applicable NASDAQ listing standards. Each member of our compensation committee is also a non-employee director, as defined by Rule 16b-3 promulgated under Exchange Act, and an outside director, as defined by Section 162(m)

of the Code. Mr. Rauth will serve as chair of our compensation committee. Upon the completion of this offering, our compensation committee will be responsible for, among other things:

- assisting our board of directors in developing and reviewing the compensation programs and strategy applicable to our directors and senior management, and overseeing our overall compensation philosophy;
- reviewing and recommending to our board of directors for approval our cash and equity incentive plans, including individual grants or awards thereunder;
- reviewing and recommending to our board of directors for approval the terms of any employment agreement, severance or change-in-control arrangement, or other compensatory arrangement with any executive officers or other key employees;
- reviewing and discussing with management the tables and narrative discussion regarding executive officer and director compensation to be included in the annual proxy statement;
- reviewing and assessing the adequacy of its written charter on an annual basis; and
- overseeing such other matters as are specifically delegated to our compensation committee by our board of directors from time to time.

Nominating and Corporate Governance Committee

Immediately following the effectiveness of the registration statement of which this prospectus is a part, we will have a nominating and corporate governance committee consisting of Ms. Kerr and Messrs. Bliss and Peters, each of whom has been determined to be an independent director under the applicable NASDAQ listing standards. Ms. Kerr will serve as chair of our nominating and corporate governance committee. Upon the completion of this offering, our nominating and corporate governance committee will be responsible for, among other things:

- assisting our board of directors in identifying individuals qualified to become board members, consistent with criteria approved by our board of directors;
- recommending that our board of directors select the director nominees for election at each annual meeting of stockholders or to fill newly created directorships and vacancies on the board of directors in accordance with our amended and restated bylaws;
- developing and recommending to our board of directors such corporate governance guidelines and procedures as the nominating and corporate governance committee determines is appropriate from time to time;
- overseeing the evaluation of our board of directors and of each committee of our board of directors;
- generally advising our board of directors on corporate governance and related matters;
- reviewing and assessing the adequacy of its written charter on an annual basis; and
- overseeing such other matters as are specifically delegated to our nominating and corporate governance committee by our board of directors from time to time.

Codes of Business Conduct and Ethics

We have adopted a code of business conduct and ethics relating to the conduct of our business by all of our employees, officers and directors, as well as a separate code of business conduct and ethics applicable to our Chief Executive Officer and senior financial officers, both of which will be available on our website upon the completion of this offering. We expect that any amendment to either code of business conduct and ethics, or any waivers of their respective requirements applicable to executive officers or directors, will be disclosed on our website or in our future filings under the Exchange Act.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee is or has been an officer or employee of our company. None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee (or other committee performing equivalent functions) of any entity that has one or more executive officers serving on our board of directors or compensation committee. No interlocking relationship exists between any member of the board of directors or any member of the compensation committee (or other committee performing equivalent functions) of any other company.

Messrs. Bliss and Rauth are partners at IGSB. Mr. Bliss has served and will serve as a member of our compensation committee until the effectiveness of the registration statement of which this prospectus is a part, at which point Mr. Rauth will serve as a member of our compensation committee. Since January 1, 2012, Mr. Bliss and certain entities affiliated with IGSB, or the IGSB entities, purchased shares of our convertible preferred stock in the following transactions: in September 2012, Mr. Bliss and the IGSB entities purchased an aggregate of 498,927 and 4,775,447 shares, respectively, of our Series B-2 convertible preferred stock from us at a purchase price of $1.40301 per share, for an aggregate purchase price of $0.7 million and $6.7 million, respectively; and in November 2013, Mr. Bliss and the IGSB entities purchased an aggregate of 379,820 and 2,405,526 shares, respectively, of our Series B-3 convertible preferred stock from us at a purchase price of $1.97462 per share, for an aggregate purchase price of $0.8 million and $4.7 million, respectively. The sales of our convertible preferred stock to Mr. Bliss and the IGSB entities were made in connection with our convertible preferred stock financings and on substantially the same terms and conditions as all other sales of our convertible preferred stock by us in each such financing. Prior to the completion of this offering, all shares of our Series B-2 and Series B-3 convertible preferred stock will convert into shares of our Class B common stock at a rate of four shares of preferred stock into one share of Class B common stock. Mr. Bliss and the IGSB entities are also parties to our amended and restated investors' rights agreement, amended and restated right of first refusal and co-sale agreement and amended and restated voting agreement.

We have entered into an indemnification agreement with each of our directors. See the section entitled "Certain Relationships and Related Party Transactions" for additional information.

Director Compensation

In 2014, our non-employee directors did not receive any compensation for their service on our board of directors or committees of our board of directors.

In May 2015, our board of directors approved a director compensation policy to be effective upon the completion of this offering. Under this policy, we will pay our non-employee directors a cash retainer for service on the board of directors and for service on each committee on which the director is a member. The chair of each committee will receive a higher retainer for such service, although the Chairperson of the board of directors will receive the same retainer as the other directors. The fees to be paid to non-employee directors for service on the board of directors and for service on each committee are as follows:

	Director Annual Retainer	Chairperson Annual Retainer
Board of Directors	$30,000	$ 30,000
Audit Committee	7,500	15,000
Compensation Committee	5,000	10,000
Nominating and Corporate Governance Committee	5,000	10,000

In addition, each non-employee director will receive an annual restricted stock grant of our Class A common stock with a fair market value of $100,000. Each such restricted stock grant will vest in full on the one-year anniversary of the grant date, subject to the director's continuous service. The initial restricted stock grants will be made at a price equal to the initial public offering price of our Class A common stock. Subsequent restricted stock grants are expected to be made on or around the date of each annual meeting of stockholders, and will be

made at fair market value on the grant date. All unvested shares of restricted stock granted to the non-employee directors pursuant to the policy will immediately vest in full upon a change-in-control transaction. All restricted stock grants to our non-employee directors are expected to be made pursuant to the 2015 Plan. See the section entitled “Executive Compensation—2015 Stock Incentive Plan” for additional information.

Notwithstanding the foregoing, our non-employee directors who beneficially own 5% or more of our outstanding capital stock will not be eligible to participate in our director compensation policy. Accordingly, Messrs. Bliss and Rauth will not be eligible to participate immediately following this offering.

We will continue to reimburse our non-employee directors, including those directors who beneficially own 5% or more of our capital stock, for reasonable travel and out-of-pocket expenses incurred in connection with attending our board and committee meetings.

Our directors who are also our employees receive no additional compensation for their service as directors, and none of such directors serve on any board committees. During 2014, Messrs. Donahoo and Schauser were our employees. See the section entitled “Executive Compensation” for additional information.

EXECUTIVE COMPENSATION

This narrative discussion of the compensation policies and arrangements that apply to our named executive officers is intended to assist your understanding of, and to be read in conjunction with, the Summary Compensation Table and related disclosures set forth below. As an emerging growth company, we are eligible to comply with the executive compensation disclosure rules applicable to a "smaller reporting company," as defined in applicable SEC rules and regulations.

Named Executive Officers

Our named executive officers include our principal executive officer and our two other most highly compensated executive officers who were serving as executive officers as of December 31, 2014. For 2014, our named executive officers were:

- Brian Donahoo, who currently serves as our President and Chief Executive Officer, as well as a member of our board of directors, and is our principal executive officer;
- Klaus Schauser, who currently serves as our Chief Strategist, as well as a member of our board of directors; and
- Jonathan Walker, who currently serves as our Chief Technology Officer.

Compensation Objectives

The primary objective of our executive compensation programs is to attract and retain talented executives with the skills necessary to lead us in achieving our strategic objectives and creating long-term value for our stockholders. We recognize that there is significant competition for talented executives within our industry, especially in Santa Barbara, California where our headquarters are located, and it can be particularly challenging for early-stage companies to recruit executives of the caliber necessary to achieve our goals.

Our executive compensation decision-making process has historically been impacted by the fact that each of our named executive officers owns a substantial number of the shares of our outstanding capital stock, which serves to align their interests with those of our stockholders. This has resulted in our paying our named executive officers lower amounts of cash compensation than might otherwise be expected for officers with similar titles and responsibility levels at similar companies.

When establishing our executive compensation programs going forward, we expect to be guided by the following principles:

- attract and retain executives with the background, experience and vision required for our long-term growth and success;
- provide a total compensation package, taking into account cash and non-cash compensation, that is generally competitive with other companies in our industry that are of a similar size and stage of growth; and
- continue to align the interests of our executives with those of our stockholders by tying a portion of total compensation to the achievement of strategic objectives that we believe will drive our long-term growth and success, and, where appropriate, provide additional grants of equity-based awards.

Compensation Determinations

Historically, our full board of directors has been responsible for establishing our overall executive compensation programs, including approving the compensation program for our named executive officers. Following the completion of this offering, our compensation committee, which is comprised solely of

independent directors, will assist our board of directors in developing and reviewing the compensation programs and strategy applicable to our directors and executive officers, and overseeing our overall compensation philosophy. See the section entitled “Management—Committees of the Board of Directors” for additional information.

Compensation Program

In light of the compensation objectives discussed above, the compensation program for our named executive officers generally consists of a base salary, a cash bonus program, equity-based awards and other benefits as described below.

Base Salary

We pay base salaries to attract and retain key executives with the necessary background, experience and vision required for our future growth and success. Base salaries generally reflect each executive officer’s title and responsibility level, individual performance, business experience and equity ownership. Base salaries are reviewed periodically and adjusted in response to factors such as title, responsibility level and individual performance.

Cash Bonus Program

For 2014, we adopted a cash bonus program that applied to each of our named executive officers, as well as to certain other senior management personnel. The principal purpose of the cash bonus program was to align the payment of cash bonuses to executives with the achievement of strategic objectives that our board of directors believed would continue to position us for long-term success, which, in 2014, related to generating continued revenue growth and improving cash flow from operations. As a result of these objectives, our board of directors tied the payment of cash bonuses to revenue and operating margin targets.

Pursuant to the cash bonus program, our board of directors initially established targets for each of the two specified financial metrics, as well as a targeted aggregate bonus pool amount. Each participant was then eligible to receive cash bonus payments based upon our actual financial performance relative to the targeted amounts for the financial metrics. The payments made to each plan participant were equal regardless of title or position with us. The targeted cash bonus payments were approximately $88,000 per participant. See the section entitled “—Summary Compensation Table” for additional information.

Equity-Based Awards

In keeping with our compensation objectives discussed above, we believe that meaningful equity ownership is important to align the interests of our executives with those of our stockholders and to provide our executives with incentives to create long-term value for our stockholders. The executives’ interests are aligned with stockholders because, as the value of our common stock increases or decreases over time, the value of their equity-based awards increases or decreases as well.

Our outstanding equity awards have principally been granted pursuant to the 2007 Plan. The 2007 Plan allows for the issuance of equity awards to our executives in the form of stock options or restricted stock. Equity awards granted to our executives pursuant to the 2007 Plan, whether in the form of stock options or restricted stock, typically vest as to 25% of the shares on the first anniversary of the grant date, and then in 36 equal monthly installments thereafter such that the full number of shares will be vested four years following the grant date. We believe that granting equity awards that vest over time promotes the retention of our executives. See the section entitled “—Outstanding Equity Awards at Fiscal Year End” for additional information.

To the extent we grant equity awards to our named executive officers and other employees in the future, we expect the grants will be made pursuant to the 2015 Plan. Our compensation committee will have the discretion

to determine the type, amount and other terms of these awards taking into account our compensation objectives discussed above, subject to approval of our board of directors. See the section entitled "—Stock Incentive Plans" for additional information.

Benefits

We offer a standard benefits package that we believe is necessary to attract and retain key executives. Our named executive officers are eligible to participate in our medical, dental, vision and other welfare benefit plans. We also pay the premiums for long-term disability insurance and life insurance for our named executive officers. Furthermore, we maintain a 401(k) plan for the benefit of our eligible employees, including our named executive officers. Currently, we match contributions made by participants in our 401(k) plan in an amount equal to 50% of the amount contributed by participants, on up to 4% of their base salaries. The benefits provided to our named executive officers generally reflect those provided to all of our employees.

Employment Agreements

We currently do not have employment agreements with any of our named executive officers. All of our named executive officers are employed on an at-will basis, with no fixed term of employment. See the section entitled "—2015 Compensation Developments" for additional information.

Severance Agreements

We currently do not have severance agreements, change-in-control agreements or other similar types of agreements with any of our named executive officers.

Summary Compensation Table

The following table sets forth summary compensation information for our named executive officers for the year ended December 31, 2014.

Name and Title	Year	Salary ($)	Bonus ($)	Option Awards ($)(1)	Non-Equity Incentive Plan Compensation ($)(2)	All Other Compensation ($)	Total ($)
Brian Donahoo President and Chief Executive Officer	2014	250,000	1,703,000(3)	369,000	60,000	—	2,382,000
Klaus Schauser Chief Strategist	2014	150,000	—	—	60,000	—	210,000
Jonathan Walker Chief Technology Officer	2014	200,000	—	369,000	60,000	—	629,000

(1) Amounts shown in this column do not reflect dollar amounts actually received by our named executive officers. Instead, these amounts reflect the aggregate grant-date fair value of the stock options granted in 2014, computed in accordance with the provisions of ASC 718. Assumptions used in the calculation of these amounts are included in Note 2 of the notes to our consolidated financial statements included elsewhere in this prospectus. As required by applicable SEC rules and regulations, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions.

(2) Amounts shown in this column reflect accumulated payouts for 2014 under our cash bonus program based on our achievement of specified financial metrics. See the section entitled "—Cash Bonus Program" for additional information.

(3) This amount reflects the payment of a one-time cash bonus, plus applicable tax withholdings, to Mr. Donahoo that was used to repay certain promissory notes in our favor that were initially issued in connection with the purchase of restricted stock. See Note 8 of the notes to our consolidated financial statements included elsewhere in this prospectus.

Outstanding Equity Awards at Fiscal Year End

The following table sets forth information about the outstanding equity awards held by each of our named executive officers as of December 31, 2014.

		Option Awards				Stock Awards	
Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares That Have Not Vested (#)	Market Value of Shares That Have Not Vested ($)(1)
Brian Donahoo	12/3/2014	—	75,000(2)	4.92	12/02/2024	—	—
	7/27/2011	—	—	—	—	36,459(3)	
	4/19/2013	—	—	—	—	54,250(4)	
Klaus Schauser		—	—	—	—	—	—
Jonathan Walker	12/3/2014	—	50,000(2)	4.92	12/02/2024	—	—
	12/3/2014	—	25,000(5)	4.92	12/02/2024	—	—

(1) There was no public market for our common stock as of December 31, 2014. We have estimated the market value of the unvested restricted stock awards based on an assumed initial public offering price of $ per share, which is the midpoint of the price range on the cover page of this prospectus.

(2) This amount represents options to purchase shares of our common stock that were granted on December 3, 2014 and remained unvested as of December 31, 2014. The shares underlying these options will vest as to 25% of the shares on December 3, 2015, the first anniversary of the grant date, and the remaining shares vest in 36 equal monthly installments thereafter.

(3) This amount represents shares subject to a restricted stock award that was granted on July 27, 2011 and remained unvested as of December 31, 2014. The restricted stock vested as to 25% of the shares on July 27, 2012, the first anniversary of the grant date, and the remaining shares vest in 36 equal monthly installments thereafter.

(4) This amount represents shares subject to a restricted stock award that was granted on April 19, 2013 and remained unvested as of December 31, 2014. The restricted stock vested as to 25% of the shares on April 19, 2014, the first anniversary of the grant date, and the remaining shares vest in 36 equal monthly installments thereafter.

(5) This amount represents options to purchase shares of our common stock that were granted on December 3, 2014 and remained unvested as of December 31, 2014. The shares underlying these options will vest as to 25% of the shares on December 3, 2017, the third anniversary of the grant date, and the remaining shares vest in 36 equal monthly installments thereafter.

2015 Compensation Developments

In February 2015, we hired Ida Kane to serve as our Chief Financial Officer. Ms. Kane is employed on an at-will basis, with no fixed term of employment. Ms. Kane's base salary will initially be $300,000 per year. In addition, pursuant to the terms of the 2007 Plan, she purchased 25,000 shares of restricted stock at a purchase price of $5.64 per share, which vest over a four-year period with 25% of the shares vesting on the first anniversary of the commencement of employment and the balance vesting in 36 equal monthly installments thereafter, and was granted (i) 87,500 options, which vest over a four-year period with 25% of the options vesting on the first anniversary of the commencement of employment and the balance vesting in 36 equal monthly installments thereafter, and (ii) 50,000 options, which vest in 48 equal monthly installments commencing on February 1, 2017. Any unvested options granted to and shares purchased by Ms. Kane will immediately vest in full upon a change in control.

Stock Incentive Plans

Our board of directors and stockholders previously adopted the 2007 Plan. In connection with this offering, our board of directors and stockholders have adopted the 2015 Plan and the ESPP, which will become effective on the day immediately prior to the effective date of the registration statement of which this prospectus is a part.

The following description of each of our equity incentive plans is qualified by reference to the full text of those plans and the related agreements, which are included as exhibits to the registration statement of which this prospectus is a part.

2007 Stock Incentive Plan

The 2007 Plan was approved by our board of directors and stockholders in February 2007. The 2007 Plan amended and restated our 2006 Equity Incentive Plan. The 2007 Plan was most recently amended in July 2014.

Authorized Shares. Our board of directors has determined not to make any further awards under the 2007 Plan following the completion of this offering. The 2007 Plan will continue to govern outstanding awards granted under the 2007 Plan. As of March 31, 2015, options to purchase an aggregate of 1,319,804 shares of our Class B common stock remained outstanding under the 2007 Plan.

Plan Administration. Our board of directors or a committee of our board of directors has the authority to manage and control the administration of the 2007 Plan. In particular, the administrator has the authority to determine the persons to whom awards are granted and the number of shares of our common stock underlying each award. In addition, the administrator has the authority to accelerate the exercisability or vesting of any award, and to determine the specific terms and conditions of each award.

Stock Options. The 2007 Plan permits us to grant options to purchase shares of our common stock that are intended to qualify as incentive stock options under Section 422 of the Code, as well as options that do not so qualify, which are referred to as non-qualified stock options. The term of each stock option will be fixed by the administrator and may not exceed 10 years from the date of grant. Incentive stock options may only be issued to our employees. Non-qualified stock options may be issued to employees, officers, directors, consultants and other service providers. The exercise price of each stock option granted pursuant to the 2007 Plan will be determined by the administrator, and may not be less than 100% of the fair market value of the underlying common stock on the date of grant. If, on the date of grant, the person to whom an incentive stock option is granted owns or is deemed to own stock representing more than 10% of the combined voting power of our outstanding capital stock, then the exercise price of the stock option may not have a term in excess of five years and must have an exercise price of at least 110% of the fair market value of the underlying common stock.

Exercise of Stock Options. The administrator will determine the methods of payment of the exercise price of a stock option, which may include cash, shares or certain other property or consideration acceptable to the administrator. After the termination of service of an employee, officer, director, consultant or other service provider, the participant may exercise his or her stock option, to the extent vested as of the date of termination, within three months after termination or such shorter or longer period of time as stated in his or her stock option agreement, no less than 30 days or more than five years, to the extent required by applicable law. Except as provided by the administrator and as permissible under applicable law, the 2007 Plan does not permit the transferability of stock options and only the recipient of the stock option may exercise a stock option during his or her lifetime.

Restricted Stock. The 2007 Plan also permits us to grant restricted stock awards. Restricted stock awards may be issued to employees, officers, directors, consultants and other service providers. The purchase price for the shares of restricted stock will be determined by our board of directors, and may not be less than 85% of the fair market value of the underlying common stock on the date of grant. If, on the date of grant, the person to whom a restricted stock award is granted owns or is deemed to own stock representing more than 10% of the

combined voting power of our outstanding capital stock, then the purchase price for the shares of restricted stock must be at least 100% of the fair market value of the underlying common stock.

Change in Control. With respect to stock options and restricted stock awards granted under the 2007 Plan, our board of directors may provide that, in the event of a "change in control," as defined in the 2007 Plan, vesting of stock options and restricted stock will accelerate automatically, effective as of immediately prior to the change in control. Our board of directors has the discretion to provide other terms and conditions that relate to the vesting of stock options and restricted stock awards upon a change in control, or for the assumption of stock options or restricted stock awards in the event of a change in control. Outstanding stock options terminate upon a change in control except to the extent they are assumed upon a change in control.

Amendment; Termination. Our board of directors may amend, suspend or terminate the 2007 Plan at any time, subject to compliance with applicable law. No stock options or restricted stock awards may be granted under the 2007 Plan after the date that is 10 years from the date the 2007 Plan was approved by our board of directors. Our board of directors may also amend, modify or terminate any outstanding stock option or restricted stock award, provided that no amendment to a stock option or restricted stock award may substantially affect or impair the rights of a participant previously granted without his or her written consent. As noted above, our board of directors has determined not to grant any further stock options or restricted stock awards under the 2007 Plan following the completion of this offering. All outstanding stock options and restricted stock awards will continue to be governed by their existing terms.

2015 Equity Incentive Plan

Our board of directors has adopted and we expect that our stockholders will adopt the 2015 Plan in its final form prior to the completion of this offering. We expect that the 2015 Plan will become effective on the day immediately prior to the effective date of the registration statement of which this prospectus is a part.

Authorized Shares. We have reserved an aggregate of 2,000,000 shares of our Class A common stock for issuance under the 2015 Plan. The number of shares reserved for issuance will increase automatically on January 1 of each calendar year beginning in 2016 and continuing through 2025 by the lesser of (i) the number of shares of our Class A common stock subject to awards granted under the 2015 Plan during the preceding calendar year, or (ii) the number of shares of our Class A common stock determined by our board of directors. The number of shares of our Class A common stock is also subject to adjustment in the event of a recapitalization, stock split, reclassification, stock dividend or other change in our capitalization. In addition, the following shares of our Class A common stock will be available for grant and issuance under the 2015 Plan:

- shares subject to stock options or stock appreciation rights, or SARs, granted under the 2015 Plan that cease to be subject to the stock option or SAR for any reason other than exercise of the stock option or SAR;
- shares subject to awards granted under the 2015 Plan that are subsequently forfeited or repurchased by us at the original issue price;
- shares subject to awards granted under the 2015 Plan that otherwise terminate without shares being issued;
- shares surrendered, cancelled, or exchanged for cash or a different award (or combination thereof); and
- shares subject to awards under the 2015 Plan that are used to pay the exercise price of an award or withheld to satisfy the tax withholding obligations related to any award.

Plan Administration. The 2015 Plan will be administered by our compensation committee, all of the members of which are independent directors under the applicable NASDAQ listing standards, or by our board of directors acting in place of our compensation committee. Our compensation committee will have the authority to

construe and interpret the 2015 Plan, grant awards and make all other determinations necessary or advisable for the administration of the 2015 Plan.

Awards and Eligible Participants. The 2015 Plan authorizes the award of stock options, SARs, restricted stock awards or restricted stock units, or RSUs, performance awards and stock bonuses. The 2015 Plan provides for the grant of awards to our employees, directors, consultants and independent contractors, subject to certain exceptions. No person will be eligible to receive more than 500,000 shares of our Class A common stock under the 2015 Plan in any calendar year other than a new employee, who will be eligible to receive no more than 750,000 shares of our Class A common stock under the 2015 Plan in the calendar year in which the employee commences employment. No participant will be eligible to receive more than $2,000,000 in performance awards in any calendar year under the 2015 Plan. No more than 5,000,000 shares of our Class A common stock will be issued under the 2015 Plan pursuant to the exercise of incentive stock options.

Stock Options. The 2015 Plan permits us to grant incentive stock options and non-qualified stock options. The exercise price of stock options will be determined by our compensation committee, and may not be less than 100% of the fair market value of our Class A common stock on the date of grant, subject to certain exceptions. Our compensation committee has the authority to reprice any outstanding stock option (by reducing the exercise price, or canceling the stock option in exchange for cash or another equity award) under the 2015 Plan without the approval of our stockholders. Stock options may vest based on the passage of time or the achievement of performance conditions in the discretion of our compensation committee. Our compensation committee may provide for stock options to be exercised only as they vest or to be immediately exercisable with any shares issued on exercise being subject to our right of repurchase that lapses as the shares vest. The maximum term of stock options granted under the 2015 Plan is 10 years.

Stock Appreciation Rights. SARs provide for a payment to the holder, in cash or shares of our Class A common stock, based upon the difference between the fair market value of our Class A common stock on the date of exercise and the stated exercise price on the date of grant, up to a maximum amount of cash or number of shares. SARs may vest based on the passage of time or the achievement of performance conditions in the discretion of our compensation committee. Our compensation committee has the authority to reprice any outstanding SAR (by reducing the exercise price, or canceling the SAR in exchange for cash or another equity award) under the 2015 Plan without the approval of our stockholders.

Restricted Stock Awards. A restricted stock award represents the issuance to the holder of shares of our Class A common stock, subject to the forfeiture of those shares due to failure to achieve certain performance conditions or termination of employment. The purchase price, if any, for the shares will be determined by our compensation committee. Unless otherwise determined by the administrator at the time of award, vesting will cease on the date the holder no longer provides services to us and unvested shares will be forfeited to or repurchased by us.

Restricted Stock Units. RSUs represent the right on the part of the holder to receive shares of our Class A common stock at a specified date in the future, subject to forfeiture of that right due to failure to achieve certain performance conditions or termination of employment. If an RSU has not been forfeited, then, on the specified date, we will deliver to the holder of the RSU shares of our Class A common stock, cash or a combination of cash and shares of our Class A common stock.

Performance Awards. Performance awards cover a number of shares of our Class A common stock that may be settled upon achievement of performance conditions as provided in the 2015 Plan in cash or by issuance of the underlying common stock. These awards are subject to forfeiture prior to settlement due to failure to achieve certain performance conditions or termination of employment.

Stock Bonuses. Stock bonuses may be granted as additional compensation for past or future service or performance and, therefore, no payment will be required for any shares awarded under a stock bonus. Unless

otherwise determined by our compensation committee at the time of award, vesting will cease on the date the holder no longer provides services to us and unvested shares will be forfeited to us.

Change in Control. If we are party to a merger or consolidation, sale of all or substantially all our assets or similar change-in-control transaction, outstanding awards, including any vesting provisions, may be assumed or substituted by the successor company. In the alternative, outstanding awards may be cancelled in connection with a cash payment. Outstanding awards that are not assumed, substituted or cashed out will accelerate in full and expire upon the closing of the transaction. Awards held by non-employee directors will immediately vest as to all or any portion of the shares subject to the award and will become exercisable at such times and on such conditions as our compensation committee determines.

Amendment; Termination. The 2015 Plan will terminate 10 years from the date our board of directors approved it, unless it is terminated earlier by our board of directors. Our board of directors may amend, suspend or terminate the 2015 Plan at any time, subject to compliance with applicable law.

2015 Employee Stock Purchase Plan

Our board of directors has adopted and we expect that our stockholders will adopt the ESPP in its final form prior to the completion of this offering. We expect that the ESPP will become effective on the day immediately prior to the effective date of the registration statement of which this prospectus is a part.

Qualified Plan. We have adopted the ESPP in order to enable eligible employees to purchase shares of our Class A common stock at a discount following the completion of this offering. The ESPP is intended to qualify as an employee stock purchase plan under Section 423 of the Code.

Authorized Shares. We have reserved an aggregate of 500,000 shares of our Class A common stock for issuance under the ESPP. The number of shares reserved for issuance will increase automatically on January 1 of each calendar year beginning in 2016 and continuing through 2025 by the lesser of (i) the number of shares of our Class A common stock issued or transferred pursuant to rights granted under the ESPP during the preceding calendar year, or (ii) the number of shares of our Class A common stock determined by our board of directors. The number of shares of our Class A common stock is also subject to adjustment in the event of a recapitalization, stock split, reclassification, stock dividend or other change in our capitalization. The aggregate number of shares of our Class A common stock issued over the term of the ESPP will not exceed 1,250,000 shares of our Class A common stock.

Plan Administration. The ESPP will be administered by our compensation committee, all of the members of which are independent directors under the applicable NASDAQ listing standards, or by our board of directors acting in place of our compensation committee.

Eligible Participants. Our employees generally are eligible to participate in the ESPP. Our compensation committee may, in its discretion, elect to exclude employees who work fewer than 20 hours per week or five months in a calendar year. Employees who are 5% stockholders, or would become 5% stockholders as a result of their participation in the ESPP, are ineligible to participate. We may impose additional restrictions on eligibility in compliance with applicable law.

Payroll Deductions. Under the ESPP, eligible employees will be able to acquire shares of our Class A common stock by accumulating funds through payroll deductions. Eligible employees will be able to select a rate of payroll deduction between 1% and 20% of their eligible cash compensation.

Offering Periods. The ESPP is implemented through a series of offering periods under which our employees who meet the eligibility requirements for participation in that offering period will automatically be granted a nontransferable option to purchase shares of our Class A common stock in that offering period using their

accumulated payroll deductions. Once an employee is enrolled, participation will be automatic in subsequent offering periods. We have not yet determined when the first offering period will begin, but it is anticipated that each offering period will run for approximately six months, commencing each June 1st and December 1st, with purchases occurring on the last day of each offering period. Our compensation committee has the discretion to change the commencement date of each offering period. In no event may an offering period exceed 27 months. An employee's participation automatically ends upon termination of employment for any reason.

Limitation on Purchase. No participant will have the right to purchase shares of our Class A common stock in an amount that, when aggregated with the shares subject to purchase rights under all our employee stock purchase plans that are also in effect in the same calendar year, have a fair market value of more than $25,000, determined as of the first day of the applicable offering period.

Purchase Price. The purchase price for shares of our Class A common stock purchased under the ESPP will be 85% of the lesser of the fair market value of our Class A common stock on (i) the first trading day of the applicable offering period and (ii) the last trading day of the applicable offering period.

Change in Control. If we experience a change-in-control transaction or any unusual or nonrecurring transaction or event, our compensation committee has the discretion to provide for the termination of any offering period that commenced prior to the closing of the transaction or event, replace outstanding purchase rights with other rights or property, make adjustments in the number and type of shares subject to outstanding purchase rights, shorten an offering period and provide for the early exercise of purchase rights, or terminate all outstanding purchase rights without being exercised.

Amendment; Termination. The ESPP will terminate 10 years from the date our board of directors approved it, unless it is terminated earlier by our board of directors. Our board of directors may amend, suspend or terminate the ESPP at any time, subject to compliance with applicable law.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In addition to the compensation arrangements that are described in the sections entitled “Management” and “Executive Compensation,” the following is a summary of each transaction or series of similar transactions since January 1, 2012, or any currently proposed transaction, to which we were or are a party in which:

- the amount involved exceeded or exceeds $120,000; and
- any of our executive officers, directors or director nominees, any holder of 5% of any class of our voting capital stock, or any member of the immediate family of, or person sharing the household with, any of these individuals or entities (each of which we refer to as a related person), had or will have a direct or indirect material interest.

Other than as described below, since January 1, 2012, there has not been, nor is there currently proposed, any transaction or series of similar transactions in which we were, or currently propose to be, a party where the amount involved exceeds, or will exceed, $120,000, and in which any related person had or will have a direct or indirect material interest.

We believe the terms of the transactions described below were comparable to terms we could have obtained in arm’s length dealings with unrelated third parties.

Series B-2 Convertible Preferred Stock Financing

In September 2012, in connection with our Series B-2 convertible preferred stock financing, we issued and sold an aggregate of 7,127,533 shares our Series B-2 convertible preferred stock at a price per share of $1.40301 for an aggregate purchase price of $10.0 million. Prior to the completion of this offering, all shares of our Series B-2 convertible preferred stock will convert into shares of our Class B common stock at a rate of four shares of preferred stock into one share of Class B common stock. The following table sets forth the number of shares of our Series B-2 convertible preferred stock that we issued to our related persons in this transaction:

Name	Number of Shares of Series B-2 Convertible Preferred Stock	Aggregate Purchase Price
Entities affiliated with IGSB(1)	4,775,447	$ 6,700,000
Timothy Bliss	498,927	700,000

(1) Affiliates of IGSB whose shares are aggregated for purposes of reporting share ownership information are IGSB Internal Venture Fund III, LLC and IGSB IVP III, LLC. Timothy Bliss, a current member of our board of directors, and William Rauth, a director nominee, are partners of IGSB, which is the manager of IGSB Internal Venture Fund III, LLC and IGSB IVP III, LLC.

Series B-3 Convertible Preferred Stock Financing

In November 2013, in connection with our Series B-3 convertible preferred stock financing, we issued and sold an aggregate of 6,077,119 shares our Series B-3 convertible preferred stock at a price per share of $1.97462 for an aggregate purchase price of $12.0 million. Prior to the completion of this offering, all shares of our Series B-3 convertible preferred stock will convert into shares of our Class B common stock at a rate of four shares of preferred stock into one share of Class B common stock. The following table sets forth the number of shares of our Series B-3 convertible preferred stock that we issued to our related persons in this transaction:

Name	Number of Shares of Series B-3 Convertible Preferred Stock	Aggregate Purchase Price
Entities affiliated with IGSB(1)	2,405,526	$ 4,750,000
Timothy Bliss	379,820	750,000

(1) Affiliates of IGSB whose shares are aggregated for purposes of reporting share ownership information are IGSB Internal Venture Fund III, LLC and IGSB IVP III, LLC. Timothy Bliss, a current member of our board of directors, and William Rauth, a director nominee, are partners of IGSB, which is the manager of IGSB Internal Venture Fund III, LLC and IGSB IVP III, LLC.

Amended and Restated Investors' Rights Agreement

We are party to an amended and restated investors' rights agreement that provides, among other things, certain stockholders, including certain of our executive officers, directors and principal stockholders, with demand registration rights, piggyback registration rights, Form S-3 registration rights and a right of first refusal with respect to new issuances of our securities. All registration rights will terminate on the earlier of (i) the date that is five years after our initial public offering, or (ii) as to any stockholder, the first date after our initial public offering on which such stockholder is able to dispose of all of its registrable securities without restriction under Rule 144. The right of first refusal does not apply to, and will terminate upon the completion of, this offering. See the section entitled "Description of Capital Stock—Registration Rights" for additional information.

Amended and Restated Right of First Refusal and Co-Sale Agreement

We are party to an amended and restated right of first refusal and co-sale agreement with certain stockholders, including certain of our executive officers, directors and principal stockholders. Under this agreement, as amended, with certain exceptions and limitations, we obtained a right of first refusal if certain of our preexisting stockholders propose to transfer any of their shares of our capital stock, and we granted certain stockholders a right of first refusal for any remaining shares for which we do not exercise our right of first refusal. Since January 2012, we have waived our right of first refusal in connection with the sale of certain shares of our capital stock, including sales by certain of our executive officers. Additionally, certain other stockholders have a right of co-sale, permitting them to sell any shares of our capital stock if our preexisting stockholders sell any shares for which we or certain stockholders do not exercise rights of first refusal. This agreement will terminate upon the completion of this offering.

Amended and Restated Voting Agreement

We are party to an amended and restated voting agreement with certain stockholders, including certain of our executive officers, directors and principal stockholders. Under this agreement, as amended, such stockholders agreed to vote their shares in a certain way with respect to elections of directors to our board of directors and certain proposed sale transactions. This agreement will terminate upon the completion of this offering and none of our stockholders will have any special rights regarding the election or designation of members of our board of directors or any proposal sale transaction.

Notes Receivable for Restricted Stock

In April 2013, we received a promissory note bearing interest at 1% per annum from Mr. Donahoo in the principal amount of approximately $0.2 million in connection with, and to facilitate, his purchase of restricted stock. This note was secured by the underlying shares and unvested shares were subject to repurchase by us upon his termination of employment at the original purchase price. In December 2014, we paid a one-time cash bonus, plus applicable tax withholdings, to Mr. Donahoo that was used to repay in full this promissory note, as well as additional promissory notes received from Mr. Donahoo prior to 2012. See Note 8 of the notes to our consolidated financial statements included elsewhere in this prospectus.

Participation in Our Initial Public Offering

Certain entities associated with our existing stockholders, including entities affiliated with IGSB, which is one of our principal stockholders and an affiliate of one of our directors and one of our director nominees, have indicated an interest in purchasing up to $25 million of shares of our Class A common stock in this offering, at the initial public offering price. Because these indications of interest are not binding agreements or commitments to purchase, such entities may elect to purchase more or fewer shares than they indicate an interest in purchasing or not to purchase any shares in this offering. In addition, the underwriters may elect to sell more or fewer shares or not to sell any shares in this offering to such entities. The underwriters will receive the same discount from any shares sold to such entities as they will from any other shares sold to the public in this offering.

Limitation of Liability and Indemnification of Directors and Officers

Our amended and restated certificate of incorporation and amended and restated bylaws, which will become effective prior to the completion of this offering, provide that we will indemnify our directors and officers to the fullest extent permitted by law. In addition, as permitted by the laws of the State of Delaware, we have entered into indemnification agreements with each of our directors and executive officers. Under the terms of our indemnification agreements, we are required to indemnify each of our directors and executive officers, to the fullest extent permitted by the laws of the State of Delaware, if the indemnitee acted in good faith and in a manner the indemnitee reasonably believed to be in or not opposed to our best interests and, with respect to any criminal proceeding, had no reasonable cause to believe the indemnitee's conduct was unlawful. We must indemnify our directors and executive officers against any and all (i) costs and expenses (including attorneys' and experts' fees, expenses and charges) actually and reasonably paid or incurred in connection with investigating, defending, being a witness in or participating in, or preparing to investigate, defend, be a witness in or participate in, and (ii) damages, losses, liabilities, judgments, fines, penalties (whether civil, criminal or other), excise taxes, and amounts paid or payable in settlement and all other charges paid or payable in connection with, in the case of either (i) or (ii), any threatened, pending or completed action, suit, proceeding, alternate dispute resolution mechanism, investigation or inquiry related to the fact that (a) such person is or was a director, officer, employee or agent of ours or (b) such person is or was serving at our request as a director, officer, employee, member, manager, partner, trustee or agent of another corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise. The indemnification agreements also require us, if so requested, to advance within 20 days of such request any and all costs and expenses that such director or executive officer incurs, provided that such person agrees to return any such advance if it is ultimately determined that such person is not entitled to be indemnified for such costs and expenses. Our amended and restated bylaws also require that such person return any such advance if it is ultimately determined that such person is not entitled to indemnification by us as authorized by the laws of the State of Delaware.

We are not required to provide indemnification under our indemnification agreements for certain matters, including: (i) indemnification in connection with certain proceedings or claims initiated or brought voluntarily by the director or executive officer, (ii) indemnification that is finally determined, under the procedures and subject to the presumptions set forth in the indemnification agreements, to be unlawful, (iii) indemnification related to disgorgement of profits made from the purchase or sale of our securities under Section 16(b) of the Exchange Act, or similar provisions of state statutory or common law, or (iv) indemnification for reimbursement to us of any bonus or other incentive-based or equity-based compensation previously received by the director or executive officer or payment of any profits realized by the director or executive officer from the purchase or sale of our securities, as required in each case under the Exchange Act (including any such reimbursements under Section 304 of the Sarbanes-Oxley Act) in connection with an accounting restatement or the payment to us of profits arising from the purchase or sale by the director or executive officer of our securities in violation of Section 306 of the Sarbanes-Oxley Act, our amended and restated certificate of incorporation, our amended and restated bylaws or otherwise, except with respect to any excess amount beyond the amount so received by the director or officer. The indemnification agreements require us, to the extent that we maintain an insurance policy or policies providing liability insurance for our directors or executive officers, to cover such person by such policy or policies to the maximum extent available.

We have obtained insurance policies under which, subject to the limitations of the polices, coverage is provided to our directors and executive officers against loss arising from claims made by reason of breach of fiduciary duty or other wrongful acts as a director or executive officer, including claims relating to public securities matters, and to us with respect to payments that may be made by us to these directors and executive officers pursuant to our indemnification obligations or otherwise as a matter of law.

Certain of our non-employee directors may, through their relationship with their employers, be insured and/or indemnified against certain liabilities incurred in their capacity as members of our board of directors.

Policies and Procedures for Approval of Related Party Transactions

Historically, we have not had a formal policy for the review and approval of transactions with related persons, although our board of directors has historically reviewed and approved any transaction involving us in which a director or officer had a financial interest, including the transactions described above. Prior to approving such a transaction, the material facts relating to the particular director's or officer's financial or other interest in the transaction were disclosed to our board of directors. Our board of directors took this information into account when evaluating the particular transaction and in determining whether such transaction was fair to us and in the best interest of all of our stockholders.

We recently adopted a formal related party transaction policy. Pursuant to this policy, the chair of our audit committee is charged with primary responsibility for determining whether, based on the particular facts and circumstances, a related person has a direct or indirect material interest in a proposed or existing transaction involving us. To assist the chair of our audit committee in making this determination, the policy sets forth certain categories of transactions that are deemed not to involve a direct or indirect material interest on behalf of the related person. If, after applying these categorical standards and weighing all of the facts and circumstances, the chair of our audit committee determines that the related person would have a direct or indirect material interest in the transaction, the chair of our audit committee must present the transaction to our audit committee for review. Our audit committee must then either approve or reject the transaction in accordance with the terms of the policy.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information with respect to the beneficial ownership of our common stock, as of March 31, 2015 and upon the completion of this offering, for:

- each of our named executive officers;
- each of our directors and director nominees;
- all our current executive officers, directors and director nominees as a group; and
- each person, or group of affiliated persons, known by us to be the beneficial owner of more than 5% of the outstanding shares of our common stock.

For purposes of the table below, the percentage ownership calculations for beneficial ownership prior to this offering are based on no shares of our Class A common stock and 26,123,910 shares of our Class B common stock outstanding as of March 31, 2015, after giving effect to the conversion and reclassification of all outstanding shares of our existing common stock and convertible preferred stock into shares of our Class B common stock in connection with this offering. The percentage ownership calculations for beneficial ownership after this offering are based on shares of our Class A common stock and 26,123,910 shares of our Class B common stock outstanding upon the completion of this offering, assuming no exercise of the underwriters' option to purchase additional shares of our Class A common stock.

Beneficial ownership is determined in accordance with applicable SEC rules and regulations and includes voting or investment power with respect to the shares of our common stock. Shares of our common stock that may be acquired by an individual or group within 60 days of March 31, 2015, pursuant to the exercise of options, warrants or other rights, are deemed to be outstanding for the purpose of computing the percentage ownership of such individual or group, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the table.

Except as indicated in footnotes to the table, we believe that the stockholders named in the table have sole voting and investment power with respect to all shares of our common stock shown to be beneficially owned by them, based on information provided to us by such stockholders. The address for each director and executive officer listed is: c/o AppFolio, Inc., 50 Castilian Drive, Goleta, California 93117.

	Class B Common Stock Beneficially Owned Before this Offering		% of Total Voting Power Before this Offering	Common Stock Beneficially Owned After this Offering				% of Total Voting Power After this Offering
				Class A		Class B		
Name of Beneficial Owner	Number	%		Number	%	Number	%	
5% Stockholders:								
Entities affiliated with IGSB(1)	8,860,968	33.9%	33.9%					
Entities affiliated with BV Capital(2)	3,790,554	14.5%	14.5%					
Directors, Director Nominees and Named Executive Officers:								
Andreas von Blottnitz(3)	241,950	*	*					
Timothy Bliss(4)	9,532,440	36.5%	36.5%					
Brian Donahoo(5)	1,266,149	4.8%	4.8%					
Janet Kerr	—	—	—					
James Peters	—	—	—					
William Rauth(6)	1,814,902	6.9%	6.9%					
Klaus Schauser(7)	4,694,584	18.0%	18.0%					
Jonathan Walker(8)	1,899,650	7.3%	7.3%					
All current executive officers, directors and director nominees as a group (nine persons)(9)	17,664,814	67.6%	67.6%					

* Represents beneficial ownership of less than one percent.

(1) Consists of (i) 2,430,577 shares held by IGSB Internal Venture Fund II, LLC, (ii) 751,202 shares held by IGSB Internal Venture Fund III, LLC, (iii) 4,620,530 shares held by IGSB IVP II, LLC and (iv) 1,058,659 shares held by IGSB IVP III, LLC. Mr. Bliss, one of our directors, is the manager of IGSB IVP II, LLC and IGSB Internal Venture Fund II, LLC (together, the "IGSB II Entities") and possesses sole voting and dispositive power with respect to the shares held by the IGSB II Entities. Investment Group of Santa Barbara, LLC, or IGSB LLC, is the manager of IGSB IVP III, LLC and IGSB Internal Venture Fund III, LLC (together, the "IGSB III Entities"). Mr. Bliss, Maurice Duca and William R. Rauth, III are the members of IGSB LLC and possess shared voting and dispositive power with respect to the shares held by the IGSB III Entities. The address for each of the entities affiliated with IGSB is P.O. Box 5609, Santa Barbara, CA 93150.

(2) Consists of (i) 1,510,481 shares held by BV Capital Fund II, L.P., (ii) 298,342 shares held by BV Capital Fund II-A, L.P. and (iii) 1,981,731 shares held by BV Capital GmbH & Co Beteiligungs KG No. 1. BV Capital GP II, LLC is the sole general partner of each of BV Capital Fund II, L.P., BV Capital Fund II-A, L.P. and BV Capital GmbH & Co. Beteiligungs KG No. 1. BV Capital Management, LLC is the sole managing member of BV Capital GP II, LLC. Matthias Schilling is the sole managing member of BV Capital Management, LLC, and has sole voting and investment power over these shares. The address for the entities affiliated with BV Capital is 600 Montgomery Street, 43rd Floor, San Francisco, CA 94111.

(3) Consists of shares held by Oceanlink Investments Limited, which is managed by a board of directors that possesses sole voting and dispositive power with respect to these shares. Oceanlink Trust, of which Mr. von Blottnitz is a trustee and beneficiary, holds all of the equity interests of Oceanlink Investments Limited. Mr. von Blottnitz possesses shared power to revoke Oceanlink Trust and therefore may be deemed to beneficially own these shares. The address for Oceanlink Investments Limited is P.O. Box 621, Le Gallais Chambers, 54 Bath Street, St. Helier, Jersey, Channel Islands JE48YD.

(4) Consists of (i) the shares identified in footnote (1) above, (ii) 629,634 shares held by Mr. Bliss in a self-directed IRA account and (iii) 41,838 shares held by the Timothy Bliss & Virginia Bliss Family Trust dated April 2, 1982, of which Mr. Bliss and his spouse serve as co-trustees.

(5) Includes 54,980 shares that may be repurchased by us at the original purchase price as of 60 days following March 31, 2015.

(6) Consists of (i) 751,202 shares held by IGSB Internal Venture Fund III, LLC, (ii) 1,058,659 shares held by IGSB IVP III, LLC and (iii) 5,041 shares held by Ospre-Point Capital, LLC ("Ospre"). IGSB LLC is the manager of the IGSB III Entities. Messrs. Bliss, Duca and Rauth are the members of IGSB and possess shared voting and dispositive power with respect to the shares held by the IGSB III Entities. Except for the shares held by Ospre, shares are inclusive of, and not in addition to, the shares reported for Mr. Bliss. Mr. Rauth disclaims beneficial ownership over the shares held by the IGSB III Entities, except to the extent of his pecuniary interest therein. The address for each of the entities affiliated with IGSB is P.O. Box 5609, Santa Barbara, CA 93150. Mr. Rauth is the sole manager of Ospre and may be deemed to have beneficial ownership over the shares held by Ospre. The address for Ospre is 660 Newport Center Drive, Newport Beach, CA 92660.

(7) Consists of shares held by the 1206 Family Trust dated December 13, 2002, of which Mr. Schauser and his spouse serve as co-trustees.

(8) Consists of (i) 1,879,025 shares held directly by Mr. Walker, and (ii) 20,625 shares held by PENSCO Trust Company FBO Jonathan Walker.

(9) Includes 79,980 shares that may be repurchased by us at the original purchase price as of 60 days following March 31, 2015.

Certain entities associated with our existing stockholders, including entities affiliated with IGSB, which is one of our principal stockholders and an affiliate of one of our directors and one of our director nominees, have indicated an interest in purchasing up to $25 million of shares of our Class A common stock in this offering, at the initial public offering price. However, because indications of interest are not binding agreements or commitments to purchase, the foregoing table and related footnotes do not reflect the potential purchase of any shares in this offering by entities associated with our existing stockholders.

DESCRIPTION OF CAPITAL STOCK

A summary description of our capital stock, and the material terms and provisions of our amended and restated certificate of incorporation and amended and restated bylaws, which will become effective prior to the completion of this offering and will affect the rights of holders of our capital stock, is set forth below. Because it is only a summary, it may not contain all the information that is important to you in making a decision to invest in our Class A common stock. For a complete description, you should refer to our amended and restated certificate of incorporation and amended and restated bylaws, which are included as exhibits to the registration statement of which this prospectus is a part.

Prior to the completion of this offering, our amended and restated certificate of incorporation will provide for two classes of common stock: Class A common stock and Class B common stock. In addition, our amended and restated certificate of incorporation will authorize shares of undesignated preferred stock, the powers, preferences and rights of which may be designated from time to time by our board of directors.

Upon the filing of our amended and restated certificate of incorporation, our authorized capital stock will consist of 325,000,000 shares, all with a par value of $0.0001 per share, of which:

- 250,000,000 shares will be Class A common stock;
- 50,000,000 shares will be Class B common stock; and
- 25,000,000 shares will be undesignated preferred stock.

We are offering shares of our Class A common stock in this offering. All shares of our existing common stock and convertible preferred stock outstanding prior to the completion of this offering will be converted and reclassified into shares of our Class B common stock. In addition, all options to purchase shares of our common stock outstanding prior to the completion of this offering will become exercisable for shares of our Class B common stock.

As of March 31, 2015, and after giving effect to the conversion and reclassification of all outstanding shares of our existing common stock and convertible preferred stock into shares of our Class B common stock in connection with this offering, there were:

- No shares of our Class A common stock outstanding;
- 26,123,910 shares of our Class B common stock outstanding held by 130 stockholders of record;
- 1,319,804 shares of our Class B common stock issuable upon the exercise of outstanding stock options; and
- No shares of our preferred stock outstanding.

Class A Common Stock and Class B Common Stock

Dividend Rights. Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of outstanding shares of our Class A common stock and Class B common stock are entitled to receive dividends out of funds legally available at the times and in the amounts that our board of directors may determine. See the section entitled “Dividend Policy” for additional information.

Voting Rights. The holders of our Class A common stock are entitled to one vote per share, and holders of our Class B common stock are entitled to 10 votes per share. The holders of our Class A common stock and Class B common stock will vote together as a single class on all matters submitted to a vote of our stockholders, unless otherwise required by Delaware law or our amended and restated certificate of incorporation. Delaware law could require either holders of our Class A common stock or holders of our Class B common stock to vote separately as a single class in the following circumstances:

- if we were to seek to amend our amended and restated certificate of incorporation to increase or decrease the par value of a class of our capital stock, then that class would be required to vote separately to approve the proposed amendment; and
- if we were to seek to amend our amended and restated certificate of incorporation in a manner that alters the powers, preferences or special rights of a class of our capital stock in a manner that affected its holders adversely, then that class would be required to vote separately to approve the proposed amendment.

In addition, our amended and restated certificate of incorporation will provide that the approval of the holders of at least a majority of the outstanding shares of our Class B common stock, voting as a separate class, is required to approve a change-in-control transaction.

Our stockholders do not have the ability to cumulate votes for the election of directors. Our amended and restated certificate of incorporation and amended and restated bylaws will provide for a classified board of directors consisting of three classes of approximately equal size, each serving staggered three-year terms. Only one class of directors will be elected at each annual meeting of stockholders, with the other classes continuing for the remainder of their respective three-year terms.

Identical Rights. Except for voting rights, or as otherwise required by applicable law, the shares of our Class A common stock and Class B common stock have the same powers, preferences and rights and rank equally, share ratably and are identical in all respects as to all matters.

No Preemptive or Similar Rights. Our common stock is not entitled to preemptive rights, and is not subject to redemption. There are no sinking fund provisions applicable to our common stock.

Conversion. Each share of our Class B common stock is convertible at any time at the option of the holder into one share of our Class A common stock. In addition, each share of our Class B common stock will convert into one share of our Class A common stock upon any transfer, whether or not for value, except for certain transfers described in our amended and restated certificate of incorporation, including, without limitation, (i) a transfer by a partnership or limited liability company that was a registered holder of our Class B common stock at the "effective time," as defined in our amended and restated certificate of incorporation, to a partner or member thereof at the effective time or (ii) a transfer to a "qualified recipient," as defined in our amended and restated certificate of incorporation.

All the outstanding shares of our Class B common stock will convert automatically into shares of our Class A common stock upon the date when the number of outstanding shares of our Class B common stock represents less than 10% of all outstanding shares of our Class A common stock and Class B common stock. Once converted into our Class A common stock, our Class B common stock may not be reissued.

Right to Receive Liquidation Distributions. Upon our dissolution, liquidation or winding-up, the assets legally available for distribution to our stockholders are distributable ratably among the holders of our Class A common stock and Class B common stock, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights and payment of liquidation preferences, if any, on any outstanding shares of preferred stock.

Preferred Stock

Effective upon the filing of our amended and restated certificate of incorporation and based on the number of shares of our convertible preferred stock outstanding as of March 31, 2015, there will be no shares of preferred stock outstanding because all outstanding shares of our convertible preferred stock will have been converted and reclassified into an aggregate of 17,006,679 shares of our Class B common stock.

Pursuant to the terms of our amended and restated certificate of incorporation, our board of directors will be authorized, subject to limitations prescribed by Delaware law, to issue up to 25,000,000 shares of our preferred stock in one or more series, to establish from time to time the number of shares to be included in each series, and to fix the designation, powers, preferences and rights of the shares of each series and any of its qualifications, limitations or restrictions, in each case without further action by our stockholders. The number of authorized shares of any series of preferred stock may be increased or decreased, but not below the number of shares of that series then outstanding, by the affirmative vote of the holders of a majority of the voting power of our outstanding capital stock entitled to vote thereon, or such other vote as may be required by the certificate of designation establishing the series. The issuance of preferred stock, while providing flexibility in connection with possible financings, acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deterring or preventing a change in our control or the removal of our incumbent directors and officers, and could adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock. We have no current plans to issue any shares of preferred stock.

Stock Options

As of March 31, 2015, options to purchase a total of 1,319,804 shares of our Class B common stock were outstanding under the 2007 Plan, with a weighted average exercise price of approximately $3.51 per share.

Registration Rights

Following the completion of this offering, the holders of approximately 17,006,679 shares of our Class B common stock, which will be issued upon the conversion and reclassification of our convertible preferred stock, will have rights, subject to certain conditions and limitations, to include their shares in registration statements relating to our common stock. The holders of at least 40% of the shares subject to these registration rights have the right, beginning no earlier than six months after the effective date of the registration statement filed with respect to this offering, on up to two occasions, to demand that we register such shares under the Securities Act, subject to certain limitations. In addition, in the event that we propose to register any shares of our common stock under the Securities Act either for our account or for the account of other security holders, such holders are entitled to receive notice of such registration and to include their shares of common stock in any such registration. Further, at any time after we become eligible to file a registration statement on Form S-3, any holder of shares subject to these registration rights may require us to file a registration statement under the Securities Act on Form S-3 with respect to shares of our common stock having an aggregate offering price, net of selling expenses, of at least $500,000. These registration rights are subject to certain conditions and limitations, including the right of the underwriters of an offering to limit the number of shares of our common stock held by such holders to be included in such registration statement according to market factors. We are generally required to bear all of the expenses of such registrations, including reasonable fees of a single counsel acting on behalf of all selling holders, but excluding underwriting discounts, selling commissions and stock transfer taxes. Registration of any of the shares of our common stock held by such holders would result in these shares becoming freely tradable without restriction under the Securities Act immediately upon effectiveness of the applicable registration statement. The holders of these shares have waived such rights with respect to this offering.

Antitakeover Provisions of Delaware Law, Our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws

Certain provisions of Delaware law, our amended and restated certificate of incorporation and our amended and restated bylaws may have the effect of delaying, deterring or preventing another person from acquiring control of us, or removing incumbent officers and directors. These provisions are expected to discourage certain types of coercive takeover practices and takeover bids that our board of directors may consider inadequate and to encourage any person seeking to acquire control of us to first negotiate with our board of directors. We believe

the benefits of increased protection of our ability to negotiate with the proponent of an unsolicited proposal to acquire us or remove our incumbent directors and officers, outweighs the disadvantages of discouraging these proposals because, among other things, negotiation of these proposals could result in an improvement of their terms and potential benefits to our stockholders.

Dual Class Common Stock. As described above in the section entitled "—Class A Common Stock and Class B Common Stock," our amended and restated certificate of incorporation will provide for a dual class common stock structure, which will provide the holders of our Class B common stock with significant influence over all matters requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale transaction.

Delaware Law. Upon the completion of this offering, we will be governed by the provisions of Section 203 of the DGCL regulating corporate takeovers. This section prevents some Delaware corporations from engaging, under certain circumstances, in a business combination, which includes a merger or sale of at least 10% of the corporation's assets, with any interested stockholder, meaning a stockholder who, together with its affiliates and associates, owns or, within three years prior to the determination of interested stockholder status, did own 15% or more of the corporation's outstanding voting stock, unless:

- the transaction is approved by the board of directors prior to the time that the interested stockholder became an interested stockholder;
- upon consummation of the transaction that resulted in the stockholder's becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced; or
- subsequent to such time that the stockholder became an interested stockholder, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders by at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

These provisions might also have the effect of preventing changes in our management. It is also possible that these provisions could make it more difficult to accomplish transactions that stockholders might otherwise deem to be in their best interests.

Amended and Restated Certificate of Incorporation and Bylaw Provisions. Our amended and restated certificate of incorporation and our amended and restated bylaws will include a number of other provisions that could deter hostile takeovers or delay, deter or prevent changes in control or the removal of our incumbent directors or officers, including the following:

- *Supermajority Approvals.* Our amended and restated certificate of incorporation and our amended and restated bylaws will provide that the affirmative vote of the holders of at least 66 2/3% of the combined voting power of our then-outstanding capital stock is required to amend certain provisions of our amended and restated certificate of incorporation and our amended and restated bylaws. This will have the effect of making it more difficult to amend our amended and restated certificate of incorporation or amended and restated bylaws to remove or modify any of their respective provisions.
- *Change-in-Control Approval*. In addition to any approvals required under the DGCL, our amended and restated certificate of incorporation will provide that the approval of the holders of at least a majority of the outstanding shares of our Class B common stock, voting as a separate class, is required to approve a change-in-control transaction.
- *Director Appointments; Filling Vacancies*. Our amended and restated certificate of incorporation and amended and restated bylaws will authorize our board of directors to fill vacant directorships. In addition, the number of directors on our board of directors is fixed exclusively by our board of directors. Newly created directorships resulting from any increase in our authorized number of directors, and any vacancies on our board of directors resulting from death, resignation, retirement, disqualification, removal from

office or other cause, will be filled generally by the majority vote of our remaining directors then in office, even if less than a quorum is present. These provisions will prevent a stockholder from increasing the size of our board of directors and gaining control of our board of directors by filling the resulting vacancies with its own nominees.

- *Classified Board.* Our amended and restated certificate of incorporation and amended and restated bylaws will provide that our board of directors is classified into three classes of directors, each of which will hold office for a three-year term. In addition, directors may only be removed from our board of directors for cause and then only by the affirmative vote of the holders of at least a majority of the combined voting power of our outstanding capital stock. This could delay a successful tender offeror from obtaining majority control of our board of directors, and the prospect of that delay might deter a potential offeror. See the section entitled "Management—Board of Directors" for additional information.
- *Stockholder Action; Special Meeting of Stockholders*. Our amended and restated certificate of incorporation will provide that our stockholders may not take action by written consent and will only be able to take action at annual or special meetings of our stockholders. Our amended and restated bylaws further provide that special meetings of our stockholders may only be called by a majority of our board of directors.
- *No Cumulative Voting.* The DGCL provides that stockholders are denied the right to cumulate votes in the election of directors unless the corporation's certificate of incorporation provides otherwise. Our amended and restated certificate of incorporation does not provide for cumulative voting.
- *Advance Notice Requirements for Stockholder Proposals and Director Nominations*. Our amended and restated bylaws will provide advance notice procedures for stockholders seeking to bring business before an annual meeting of stockholders, or to nominate candidates for election as directors at an annual meeting of stockholders. In general, to be timely, a stockholder's notice must be delivered to, or mailed and received at, our principal executive offices not later than the 90th day nor earlier than the 120th day prior to the first anniversary of the preceding year's annual meeting of stockholders. Our amended and restated bylaws also specify certain requirements regarding the form and content of a stockholder's notice. These provisions may preclude our stockholders from bringing matters before an annual meeting of stockholders, or from making nominations for directors at an annual meeting of stockholders.
- *Issuance of Undesignated Preferred Stock.* Our board of directors will have the authority, without further action by our stockholders, to issue up to 25,000,000 shares of undesignated preferred stock with powers, preferences and rights, including voting rights, designated from time to time by our board of directors. The existence of authorized but unissued shares of preferred stock would enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a tender offer, proxy contest or otherwise.
- *Authorized but Unissued Shares*. Our authorized but unissued shares of our common stock and preferred stock will be available for future issuance without stockholder approval. We may use additional shares for a variety of purposes, including capital raising transactions, acquisitions and as employee compensation. The existence of authorized but unissued shares of our common stock and preferred stock could render more difficult or discourage an attempt to obtain control of us by means of a tender offer, proxy context or otherwise.
- *Exclusive Forum*. Our amended and restated certificate of incorporation will provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (iii) any action asserting a claim arising pursuant to any provision of the DGCL, our amended and restated certificate of incorporation or our amended

and restated bylaws, or (iv) any action asserting a claim against us governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of and to have consented to the foregoing provisions. Although we have included this provision in our amended and restated certificate of incorporation, the enforceability of similar exclusive forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that a court could rule that this provision is invalid or unenforceable.

Exchange Listing

We have applied to list our Class A common stock on NASDAQ under the symbol "APPF."

Transfer Agent and Registrar

Upon the completion of this offering, the transfer agent and registrar for our Class A common stock and Class B common stock will be American Stock Transfer & Trust Company, LLC. The transfer agent and registrar's address is 6201 15th Avenue, Brooklyn, New York 11219.

Limitations of Liability and Indemnification

See the section entitled "Certain Relationships and Related Party Transactions—Limitation of Liability and Indemnification of Directors and Officers" for additional information.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for any class or series of our capital stock, and a liquid trading market for our Class A common stock may not develop or be sustained after this offering. Future sales of a substantial number of shares of our Class A common stock, including shares of our Class A common stock issued upon the exercise of outstanding options, in the public market after this offering, or the perception that such sales could occur, could adversely affect the market price of our Class A common stock prevailing from time to time after this offering and could impair our ability to raise equity capital in the future.

Upon the completion of this offering, a total of shares of our Class A common stock and 26,123,910 shares of our Class B common stock will be outstanding, after giving effect to the conversion and reclassification of all outstanding shares of our existing common stock and convertible preferred stock into shares of our Class B common stock prior to the completion of this offering, based on the number of shares of our common stock outstanding as of March 31, 2015.

Of the shares to be outstanding upon the completion of this offering, the shares of our Class A common stock to be sold in this offering, plus any shares sold upon the exercise by the underwriters of their option to purchase additional shares of our Class A common stock, will be freely tradable in the public market without restriction under the Securities Act, unless these shares are purchased by our "affiliates," as that term is defined in Rule 144.

The 26,123,910 shares of our Class B common stock will be "restricted securities" under Rule 144. These restricted securities are eligible for public sale only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rule 144 or Rule 701, each of which are summarized below. Subject to the lock-up agreements described below and the provisions of Rules 144 and 701, as well as our insider trading policy, these restricted securities will be available for sale in the public market at various times beginning 181 days after the date of this prospectus.

Rule 144

In general, under Rule 144, once we have been subject to public company reporting requirements for at least 90 days, a person (i) who is not deemed to have been one of our affiliates at any time during the immediately preceding 90 days, and (ii) who has beneficially owned the shares of our common stock proposed to be sold for at least six months, including the holding period of any prior owner other than our affiliates, is entitled to sell an unlimited number of shares of our common stock, subject to the current public information requirements of Rule 144. In addition, if such a person has beneficially owned the shares of our common stock proposed to be sold for at least one year, including the holding period of any prior owner other than our affiliates, then such person is entitled to sell an unlimited number of shares of our common stock without complying with any of the requirements of Rule 144.

In general, under Rule 144, once we have been subject to the public company reporting requirements for at least 90 days, an affiliate of ours who owns shares that were acquired from us or an affiliate of ours at least six months prior to the proposed sale is entitled to sell, within any three-month period beginning 90 days after the date of this prospectus, a number of shares that does not exceed the greater of:

- 1% of the number of shares of our Class A common stock then outstanding, which will equal approximately shares immediately after this offering; and
- the average weekly trading volume of our Class A common stock during the four calendar weeks preceding the date of the filing of a Form 144 with respect to the sale.

Sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to certain manner of sale provisions and notice requirements, and to the current public information requirements of

Rule 144. Rule 144 also provides that affiliates relying on Rule 144 to sell shares of our Class A common stock that are not restricted shares must nonetheless comply with the same restrictions applicable to restricted shares, other than the holding period requirement, unless such shares are covered by an effective registration statement.

Rule 701

Rule 701 generally allows a stockholder (i) who purchased shares of our capital stock pursuant to a written compensatory plan or contract in compliance with Rule 701, and (ii) who is not deemed to have been one of our affiliates at any time during the immediately preceding 90 days, to sell these shares in reliance upon Rule 144, but without being required to comply with the current public information requirement, holding period requirement, volume limitations or notice provisions of Rule 144. Rule 701 permits our affiliates who purchase shares of our capital stock pursuant to a written compensatory plan or contract in compliance with Rule 701 to sell these shares in reliance upon Rule 144 without complying with the holding period requirement of Rule 144. However, all holders of shares subject to Rule 701 are required to wait until 90 days after the date of this prospectus before selling such shares pursuant to Rule 701.

Lock-up Agreements

We, all of our officers, directors and director nominees, and the holders of substantially all of our outstanding securities, have agreed that, without the prior written consent of Morgan Stanley & Co. LLC and Credit Suisse Securities (USA) LLC on behalf of the underwriters, we and they will not, during the period ending 180 days after the date of this prospectus, or the restricted period:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of our Class A common stock or Class B common stock or any securities convertible into or exercisable or exchangeable for shares of our Class A common stock or Class B common stock;
- file any registration statement with the SEC relating to the offering of any shares of our Class A common stock or Class B common stock or any securities convertible into or exercisable or exchangeable for our Class A common stock or Class B common stock; or
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of our Class A common stock or Class B common stock;

whether any such transaction described above is to be settled by delivery of our Class A common stock or Class B common stock or such other securities, in cash or otherwise. In addition, we and each such person agrees that, without the prior written consent of Morgan Stanley & Co. LLC and Credit Suisse Securities (USA) LLC on behalf of the underwriters, we or such other person will not, during the restricted period, make any demand for, or exercise any right with respect to, the registration of any shares of our Class A common stock or Class B common stock or any security convertible into or exercisable or exchangeable for our Class A common stock or Class B common stock. In addition, holders of all of our capital stock and securities convertible into or exchangeable for shares of our capital stock are subject to market stand-off agreements with us. See the section entitled “Underwriters” for additional information.

Registration Rights

Following the completion of this offering, stockholders holding approximately 17,006,679 shares of our Class B common stock will have certain rights with respect to the registration under the Securities Act of the shares of our Class A common stock into which these shares are convertible. Pursuant to the lock-up agreements described above, substantially all such stockholders have agreed not to exercise those rights during the restricted

period without the prior written consent of Morgan Stanley & Co. LLC and Credit Suisse Securities (USA) LLC on behalf of the underwriters. See the section entitled “Description of Capital Stock—Registration Rights” for additional information.

Registration Statements

We intend to file a registration statement on Form S-8 under the Securities Act to register all of the shares of our common stock subject to options outstanding or reserved for issuance under our 2007 Plan, 2015 Plan and ESPP. We expect to file this registration statement as soon as practicable after the completion of this offering. Shares registered under this registration statement will be freely tradable in the public market, subject to any vesting restrictions and lock-up agreements applicable to these shares.

MATERIAL U.S. FEDERAL INCOME AND ESTATE TAX CONSIDERATIONS APPLICABLE TO NON-U.S. HOLDERS OF OUR CLASS A COMMON STOCK

The following is a summary of material U.S. federal income and estate tax considerations related to the ownership and disposition of our Class A common stock that are applicable to non-U.S. holders (defined below), but does not purport to be a complete analysis of all the potential tax considerations relating thereto.

This summary:

- is based on the Code, U.S. federal tax regulations promulgated under it, or Treasury Regulations, judicial authority and published rulings and administrative pronouncements of the U.S. Internal Revenue Service, or IRS, each as of the date of this prospectus and each of which are subject to change at any time, possibly with retroactive effect;
- is applicable only to holders who hold their shares as "capital assets" within the meaning of section 1221 of the Code;
- does not discuss the applicability of any U.S. state or local taxes, non-U.S. taxes or any other U.S. federal tax except for U.S. federal income and, to the limited extent discussed below, estate taxes; and
- does not address all aspects of U.S. federal income taxation that may be relevant to holders in light of their particular circumstances or who are subject to special treatment under U.S. federal income tax laws, including, but not limited to:
    - certain former citizens and long-term residents of the United States;
    - banks, financial institutions or "financial services entities";
    - insurance companies;
    - tax-exempt organizations;
    - tax-qualified retirement and pension plans;
    - brokers, dealers or traders in securities, commodities or currencies;
    - persons that own, have owned or are deemed to own more than 5% of our Class A common stock;
    - persons who hold or receive our Class A common stock pursuant to the exercise of any employee stock option or otherwise as compensation;
    - investors holding our Class A common stock as part of a "straddle," "hedge," "conversion transaction," or other risk-reduction transaction;
    - investors who are integral parts or controlled entities of a foreign sovereign;
    - partnerships or other pass-through entities classified as partnerships for U.S. federal income tax purposes (and partners or investors therein);
    - persons deemed to sell our Class A common stock under the constructive sale provisions of the Code;
    - real estate investment trusts and regulated investment companies; and
    - "controlled foreign corporations" "passive foreign investment companies" and corporations that accumulate earnings to avoid U.S. federal income tax.

This summary constitutes neither tax nor legal advice. Prospective investors are urged to consult their own tax advisors to determine the specific tax consequences and risks to them of purchasing, holding and disposing of our Class A common stock, including the application to their particular situations of any U.S. federal, state, local and non-U.S. tax laws and of any applicable income tax treaty.

Non-U.S. Holder Defined

For purposes of this discussion, a non-U.S. holder is a beneficial owner of our Class A common stock (other than a partnership or other entity classified as such for U.S. federal income tax purposes) that is not a "U.S. person" for U.S. federal income tax purposes. A "U.S. person" is any of the following:

- An individual citizen or resident of the United States for U.S. federal income tax purposes;
- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, that was created or organized in or under the laws of the United States or any state thereof or the District of Columbia or otherwise treated as such for U.S. federal income tax purposes;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (ii) the trust has a valid election in effect to be treated as a U.S. person.

If a partnership (or an entity or arrangement treated as a partnership for U.S. federal income tax purposes) owns our Class A common stock, then the U.S. federal income tax treatment of a partner in that partnership generally will depend on the status of the partner and the partnership's activities. Partners and partnerships should consult their own tax advisors with regard to the U.S. federal income tax treatment of an investment in our Class A common stock.

Distributions

As described in the section titled "Dividend Policy," we have never declared or paid any cash dividends on our existing common stock and do not anticipate paying any cash dividends or other distributions on our Class A common stock in the foreseeable future. Distributions of cash or property, if any, paid to a non-U.S. holder of our Class A common stock will constitute "dividends" for U.S. federal income tax purposes to the extent paid out of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. If the amount of a distribution exceeds both our current and accumulated earnings and profits, such excess will first constitute a nontaxable return of capital, which will reduce the holder's tax basis in our Class A common stock, but not below zero, and then will be treated as gain from the sale of our Class A common stock and will be treated as described below under the section entitled "—Sale or Taxable Disposition of Class A Common Stock."

Subject to the following paragraphs, dividends on our Class A common stock generally will be subject to U.S. federal withholding tax at a 30% gross rate, subject to any exemption or lower rate as may be specified by an applicable income tax treaty. We may withhold up to 30% of either (i) the gross amount of the entire distribution, even if the amount of the distribution is greater than the amount constituting a dividend, as described above, or (ii) the amount of the distribution we project will be a dividend, based upon a reasonable estimate of both our current and our accumulated earnings and profits for the taxable year in which the distribution is made. If tax is withheld on the amount of a distribution in excess of the amount constituting a dividend, then you may obtain a refund of that excess amount by timely filing a claim for refund with the IRS. Any such distributions will also be subject to the discussion below under the sections entitled "—Information Reporting and Backup Withholding" and "—Foreign Account Tax Compliance Act Considerations."

To claim the benefit of a reduced rate of or an exemption from U.S. federal withholding tax under an applicable income tax treaty, a non-U.S. holder will be required (i) to satisfy certain certification requirements, which may be done by providing us or our agent with a properly executed and completed IRS Form W-8BEN (for individuals) or W-8BEN-E (for entities) or other appropriate version of IRS Form W-8 certifying, under penalty of perjury, that the holder qualifies for treaty benefits and is not a U.S. person or (ii) if our Class A common stock is held through certain non-U.S. intermediaries, to satisfy the relevant certification requirements of the applicable Treasury Regulations. Special certification and other requirements apply to certain non-U.S.

holders that are pass-through entities. Non-U.S. holders that do not timely provide us or our agent with the required certification, but that qualify for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

Dividends that are effectively connected with the conduct of a trade or business by the non-U.S. holder within the United States (and, if required by an applicable income tax treaty, are attributable to a permanent establishment, or a fixed base in the case of an individual non-U.S. holder, that is maintained by the non-U.S. holder in the United States), which we refer to as "effectively connected dividends," are not subject to U.S. federal withholding tax, provided that the non-U.S. holder certifies, under penalty of perjury, that the dividends paid to such holder are effectively connected dividends on a properly executed and completed IRS Form W-8ECI (or other applicable form). Instead, any such effectively connected dividends will be subject to U.S. federal income tax on a net income basis in a manner similar to that which would apply if the non-U.S. holder were a U.S. person.

Corporate non-U.S. holders who receive effectively connected dividends may also be subject to an additional "branch profits tax" at a gross rate of 30% on their earnings and profits for the taxable year that are effectively connected with the holder's conduct of a trade or business within the United States, subject to any exemption or reduction provided by an applicable income tax treaty.

Non-U.S. holders should consult their tax advisors regarding their entitlement to benefits under an applicable income tax treaty.

Sale or Taxable Disposition of Class A Common Stock

Any gain realized on the sale, exchange or other taxable disposition of our Class A common stock generally will not be subject to U.S. federal income tax unless:

- the gain is effectively connected with the conduct of a trade or business by the non-U.S. holder within the United States (and, if required by an applicable income tax treaty, is attributable to a permanent establishment, or fixed base in the case of an individual non-U.S. holder, that is maintained by the non-U.S. holder in the United States);
- the non-U.S. holder is a non-resident alien individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met; or
- we are or have been a "United States real property holding corporation" for U.S. federal income tax purposes at any time during the shorter of the five-year period ending on the date of such disposition and the non-U.S. holder's holding period in our Class A common stock.

A non-U.S. holder described in the first bullet point above generally will be subject to U.S. federal income tax on the net gain derived from the sale or disposition under regular graduated U.S. federal income tax rates as if the holder were a U.S. person. If the non-U.S. holder is a corporation, then the gain may also, under certain circumstances, be subject to the "branch profits tax" discussed above.

A non-U.S. holder described in the second bullet point above generally will be subject to U.S. federal income tax at a flat 30% rate (or such lower rate specified by an applicable income tax treaty) on the net gain derived from the sale or disposition, which gain may be offset by U.S.-source capital losses for the year (provided that such holder has timely filed U.S. federal income tax returns with respect to such losses).

With respect to the third bullet point above, although there can be no assurance, we believe we are not, have not been and will not become a "United States real property holding corporation" for U.S. federal income tax purposes. However, because the determination of whether we are a United States real property holding corporation depends on the fair market value of our U.S. real property relative to the fair market value of our

other business assets, there can be no assurance that we will not become a United States real property holding corporation in the future. In the event that we are or become a United States real property holding corporation at any time during the applicable period described in the third bullet point above, any gain recognized on a sale or other taxable disposition of our Class A common stock may be subject to U.S. federal income tax, including any applicable withholding tax, if (i) the non-U.S. holder beneficially owns, or has owned, more than 5% of our Class A common stock at any time during the applicable period, or (ii) our Class A common stock ceases to be regularly traded on an "established securities market" within the meaning of the Code. Non-U.S. holders who intend to acquire more than 5% of our Class A common stock are encouraged to consult their tax advisors with respect to the U.S. tax consequences of a disposition of our Class A common stock.

Any proceeds from the disposition of our Class A common stock will also be subject to the discussion below under the sections entitled "—Information Reporting and Backup Withholding" and "—Foreign Account Tax Compliance Act Considerations."

Federal Estate Tax

Class A common stock owned or treated as owned by an individual who is a non-U.S. holder at the time of his or her death generally will be included in the individual's gross estate for U.S. federal estate tax purposes and may be subject to U.S. federal estate tax unless an applicable estate tax treaty provides otherwise.

Information Reporting and Backup Withholding

Information returns generally will be filed with the IRS in connection with payments of dividends on our Class A common stock and the proceeds from a sale or other disposition of our Class A common stock. Copies of information returns may be made available to the tax authorities of the country in which a non-U.S. holder resides or is incorporated under the provisions of a specific treaty or agreement.

You may be subject to additional information reporting and backup withholding at a current rate of 28% with respect to dividends paid on our Class A common stock or with respect to proceeds received from a disposition of the shares of our Class A common stock, unless you establish an exemption, for example, by properly certifying your non-U.S. status on an IRS Form W-8BEN, W-8BEN-E or other appropriate version of IRS Form W-8. Notwithstanding the foregoing, backup withholding may apply if either we or our agent has actual knowledge, or reason to know, that you are a U.S. person. Backup withholding is not an additional tax, but rather is a method of tax collection. You generally will be entitled to credit any amounts withheld under the backup withholding rules against your U.S. federal income tax liability, provided that the required information is furnished to the IRS in a timely manner.

Foreign Account Tax Compliance Act Considerations

The Foreign Account Tax Compliance Act, or FATCA, generally imposes a U.S. federal withholding tax at a rate of 30% on payments of dividends on, and gross proceeds from the sale or other disposition of, our Class A common stock if paid to a foreign entity unless (i) if the foreign entity is a "foreign financial institution" (as specifically defined under these rules), the foreign entity undertakes certain due diligence, reporting, withholding, and certain certification obligations with respect to certain U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners), (ii) if the foreign entity is a "non-financial foreign entity" (as specifically defined under these rules), the foreign entity identifies certain of its substantial direct and indirect U.S. investors, if any, or certifies it has none, and complies with certain other requirements, or (iii) the foreign entity is otherwise exempt under FATCA.

Under applicable Treasury Regulations, withholding under FATCA generally applies to payments of dividends on our Class A common stock and, under current transitional rules, is expected to apply to payments of

gross proceeds from a sale or other disposition of our Class A common stock made after December 31, 2016. Under certain circumstances, a non-U.S. holder may be eligible for refunds or credits of the tax. An intergovernmental agreement between the United States and an applicable foreign country may modify the requirements described in this section. Non-U.S. holders should consult their own tax advisors regarding the possible implications of FATCA on their investment in our Class A common stock and the entities through which they hold our Class A common stock, including, without limitation, the process and deadlines for meeting the applicable requirements to prevent the imposition of the 30% withholding tax under FATCA.

UNDERWRITERS

Under the terms and subject to the conditions in an underwriting agreement dated the date of this prospectus, the underwriters named below, for whom Morgan Stanley & Co. LLC and Credit Suisse Securities (USA) LLC are acting as representatives, have severally agreed to purchase, and we have agreed to sell to them, severally, the number of shares of our Class A common stock indicated below:

Underwriters	Number of Shares
Morgan Stanley & Co. LLC	
Credit Suisse Securities (USA) LLC	
Pacific Crest Securities, a division of KeyBanc Capital Markets Inc.	
William Blair & Company, L.L.C.	
Total	

The underwriters and the representatives are collectively referred to as the “underwriters” and the “representatives,” respectively. The underwriters are offering the shares of our Class A common stock subject to their acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of our Class A common stock offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of our Class A common stock offered by this prospectus if any such shares are taken. However, the underwriters are not required to take or pay for the shares covered by the underwriters’ option to purchase additional shares of our Class A common stock described below.

The underwriters initially propose to offer part of the shares of our Class A common stock directly to the public at the public offering price listed on the cover page of this prospectus and part to certain dealers. After the initial offering of the shares of our Class A common stock, the offering price and other selling terms may from time to time be varied by the representatives.

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to and additional shares of our Class A common stock at the public offering price listed on the cover page of this prospectus, less underwriting discounts and commissions. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of our Class A common stock offered by this prospectus. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase about the same percentage of the additional shares of our Class A common stock as the number listed next to the underwriter’s name in the preceding table bears to the total number of shares of our Class A common stock listed next to the names of all underwriters in the preceding table.

Certain entities associated with our existing stockholders, including entities affiliated with IGSB, which is one of our principal stockholders and an affiliate of one of our directors and one of our director nominees, have indicated an interest in purchasing up to $25 million of shares of our Class A common stock in this offering, at the initial public offering price. Because these indications of interest are not binding agreements or commitments to purchase, such entities may elect to purchase more or fewer shares than they indicate an interest in purchasing or not to purchase any shares in this offering. In addition, the underwriters may elect to sell more or fewer shares or not to sell any shares in this offering to such entities. The underwriters will receive the same discount from any shares sold to such entities as they will from any other shares sold to the public in this offering.

The following table shows the per share and total public offering price, underwriting discounts and commissions, and proceeds before expenses to us. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase up to an additional shares of our Class A common stock.

		Total	
	Per Share	No Exercise	Full Exercise
Public offering price	$	$	$
Underwriting discounts and commissions to be paid by us	$	$	$
Proceeds, before expenses, to us	$	$	$

The estimated offering expenses payable by us, exclusive of the underwriting discounts and commissions, are approximately $. We have agreed to reimburse the underwriters for expenses relating to clearance of this offering with the Financial Industry Regulatory Authority up to $.

The underwriters have informed us that they do not intend sales to discretionary accounts to exceed 5% of the total number of shares of our Class A common stock offered by them.

We have applied to list our Class A common stock on NASDAQ under the symbol "APPF."

At our request, the underwriters have reserved up to 5% of the number of shares of our Class A common stock offered by us, as set forth on the cover page of this prospectus, for sale, at the initial public offering price, to our directors, director nominees, officers and certain employees and other parties with a connection to us. If these persons purchase reserved shares, it will reduce the number of shares that are available for sale to the general public. Any reserved shares that are not so purchased will be offered by the underwriters to the general public on the same terms as the other shares of our Class A common stock offered by us. We have agreed to indemnify Morgan Stanley & Co. LLC and its affiliates against certain liabilities and expenses, including liabilities under the Securities Act, in connection with the sale of such reserved shares. Other than the underwriting discount described on the front cover of this prospectus, the underwriters will not be entitled to any commission with respect to shares of our Class A common stock sold pursuant to the directed share program. Shares offered in the directed share program will not be subject to lock-up agreements, with the exception of the shares to be issued to directors, director nominees, officers and certain existing stockholders who are already subject to lock-up agreements, as described below.

We, all of our officers, directors and director nominees, and the holders of substantially all of our outstanding securities, have agreed that, without the prior written consent of Morgan Stanley & Co. LLC and Credit Suisse Securities (USA) LLC on behalf of the underwriters, we and they will not, during the restricted period ending 180 days after the date of this prospectus:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of our Class A common stock or Class B common stock or any securities convertible into or exercisable or exchangeable for shares of our Class A common stock or Class B common stock;
- file any registration statement with the SEC relating to the offering of any shares of our Class A common stock or Class B common stock or any securities convertible into or exercisable or exchangeable for our Class A common stock or Class B common stock; or
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of our Class A common stock or Class B common stock;

whether any such transaction described above is to be settled by delivery of our Class A common stock or Class B common stock or such other securities, in cash or otherwise. In addition, we and each such person agrees that, without the prior written consent of Morgan Stanley & Co. LLC and Credit Suisse Securities (USA) LLC on

behalf of the underwriters, we or such other person will not, during the restricted period, make any demand for, or exercise any right with respect to, the registration of any shares of our Class A common stock or Class B common stock or any security convertible into or exercisable or exchangeable for our Class A common stock or Class B common stock.

The restrictions described in the immediately preceding paragraph do not apply to:

(i) the sale of shares of our Class A common stock to the underwriters in this offering;

(ii) the issuance by us of shares of our Class A common stock or Class B common stock upon the exercise of an option outstanding on the date of this prospectus of which the underwriters have been advised in writing;

(iii) transactions by any person other than us relating to shares of our Class A common stock or other securities acquired in open market transactions after the completion of the offering of the shares, provided that no filing under Section 16(a) of the Exchange Act is required or voluntarily made in connection with subsequent sales of our Class A common stock or other securities acquired in such open market transactions; or

(iv) the establishment of a trading plan pursuant to Rule 10b5-1 under the Exchange Act for the transfer of shares of our Class A common stock, provided that (i) such plan does not provide for the transfer of such shares of our Class A common stock during the restricted period and (ii) to the extent a public announcement or filing under the Exchange Act, if any, is required or voluntarily made regarding the establishment of such plan, such announcement or filing will include a statement to the effect that no transfer of shares of our Class A common stock may be made under such plan during the restricted period.

Morgan Stanley & Co. LLC and Credit Suisse Securities (USA) LLC may release our Class A common stock or Class B common stock and other securities subject to the lock-up agreements described above, or waive the provisions of the lock-up agreements, in whole or in part at any time, provided that, at least two business days before the effective date of a release or waiver that is granted to our directors or officers, we have agreed with the underwriters that we will announce the impending release or waiver by press release through a major news service if Morgan Stanley & Co. LLC and Credit Suisse Securities (USA) LLC notify us of the impending release or waiver at least three business days before the effective date of such release or waiver, except where the release or waiver is effected solely to permit a transfer of securities that is not for consideration and where the transferee has agreed in writing to be bound by the same lock-up agreement terms in place for the director or officer.

In order to facilitate the offering of our Class A common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of our Class A common stock. Specifically, the underwriters may sell more shares than they are obligated to purchase under the underwriting agreement, creating a short position. A short sale is covered if the short position is no greater than the number of shares available for purchase by the underwriters under the over-allotment option. The underwriters can close out a covered short sale by exercising the over-allotment option or purchasing shares in the open market. In determining the source of shares to close out a covered short sale, the underwriters will consider, among other things, the open market price of shares compared to the price available under the over-allotment option. The underwriters may also sell shares in excess of the over-allotment option, creating a naked short position. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our Class A common stock in the open market after pricing that could adversely affect investors who purchase in this offering. As an additional means of facilitating this offering, the underwriters may bid for, and purchase, shares of our Class A common stock in the open market to stabilize the price of our Class A common stock. These activities may raise or maintain the market price of our Class A common stock above independent market levels or prevent or retard a decline in the market price of our Class A common stock. The underwriters are not required to engage in these activities and may end any of these activities at any time.

We and the underwriters have agreed to indemnify each other against certain liabilities, including liabilities under the Securities Act.

A prospectus in electronic format may be made available on websites maintained by one or more underwriters, or selling group members, if any, participating in this offering. The representatives may agree to allocate a number of shares of our Class A common stock to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters that may make Internet distributions on the same basis as other allocations.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us, for which they received or will receive customary fees and expenses.

In addition, in the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve our securities and instruments. The underwriters and their respective affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long or short positions in such securities and instruments.

Pricing of the Offering

Prior to the completion of this offering, there has been no public market for our Class A common stock. The initial public offering price was determined by negotiations between us and the representatives. Among the factors considered in determining the initial public offering price were our future prospects and those of our industry in general, our sales, earnings and certain other financial and operating information in recent periods, and the price-earnings ratios, price-sales ratios, market prices of securities, and certain financial and operating information of companies engaged in activities similar to ours.

Selling Restrictions

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each of which we refer to as a Relevant Member State), an offer to the public of any shares of our Class A common stock may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any shares of our Class A common stock may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(i) to any legal entity that is a qualified investor as defined in the Prospectus Directive;

(ii) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives for any such offer; or

(iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of shares of our Class A common stock will result in a requirement for the publication by us or any underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public," in relation to any shares of our Class A common stock in any Relevant Member State, means the communication in any form and by any means of sufficient information on the terms of the offer and any shares of our Class A common stock to be offered so as to enable an investor to decide to purchase any shares of our Class A common stock, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State, and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

United Kingdom

Each underwriter has represented and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, or FSMA), received by it in connection with the issue or sale of the shares of our Class A common stock in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares of our Class A common stock in, from or otherwise involving the United Kingdom.

Hong Kong

Shares of our Class A common stock may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to shares of our Class A common stock may be issued or may be in the possession of any person for the purpose of issue (in each case, whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to shares of our Class A common stock which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Japan

Shares of our Class A common stock have not been and will not be registered under the Financial Instruments and Exchange Law of Japan, or the Financial Instruments and Exchange Law, and each underwriter has agreed that it will not offer or sell any shares of our Class A common stock, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of shares of our Class A common stock may not be circulated or

distributed, nor may the shares of our Class A common stock be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, the SFA, (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where shares of our Class A common stock are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust will not be transferable for six months after that corporation or that trust has acquired shares of our Class A common stock under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

LEGAL MATTERS

Certain legal matters relating to this offering will be passed upon for us by Stradling Yocca Carlson & Rauth, P.C., Newport Beach, California. The underwriters have been represented by Wilson Sonsini Goodrich & Rosati, P.C., Palo Alto, California.

EXPERTS

The financial statements as of December 31, 2013 and 2014 and for the years then ended included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of our Class A common stock offered pursuant to this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits filed therewith, as permitted by the rules and regulations of the SEC. For additional information about us and the shares of our Class A common stock offered hereby, reference is made to the registration statement and the exhibits filed therewith. Statements contained in this prospectus regarding the contents of any other document that is filed as an exhibit to the registration statement are not necessarily complete, and, in each instance, we refer you to the copy of such other document filed as an exhibit to the registration statement.

A copy of the registration statement and the exhibits filed therewith may be inspected without charge at the public reference room maintained by the SEC, located at 100 F Street, N.E., Washington, D.C. 20549-1004, and copies of all or any part of the registration statement may be obtained from that office at prescribed rates. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. The SEC also maintains a website that contains reports, proxy and information statements, and other information regarding registrants that file electronically with the SEC. The address of the website is www.sec.gov.

We currently do not file reports or other information with the SEC. Upon the completion of this offering, we will be required to file periodic reports, current reports, proxy statements and other information with the SEC pursuant to the Exchange Act, which will be available for inspection and copying at the SEC's public reference room and website referred to above. We also intend to make these filings and this information available free of charge on our website once the offering is completed. The address of our website is www.appfolioinc.com. The information contained on or accessed through our website does not constitute part of this prospectus, and you should not consider information contained on or accessed through our website in deciding whether to invest in our Class A common stock. References to our website address in this prospectus are inactive textual references only.

APPFOLIO, INC.

INDEX TO FINANCIAL STATEMENTS

Index to Audited Consolidated Financial Statements for the Years Ended December 31, 2013 and 2014

Index to Unaudited Condensed Consolidated Financial Statements for the Three Months Ended March 31, 2014 and 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Board of Directors and Stockholders of AppFolio, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, convertible preferred stock and stockholders' deficit and cash flows present fairly, in all material respects, the financial position of AppFolio, Inc. and its subsidiaries (the "Company") at December 31, 2013 and 2014 and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California
April 17, 2015, except for the effects of the reverse stock split described in Note 1 to the consolidated financial statements, as to which the date is June 4, 2015

APPFOLIO, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except par values)

	December 31, 2013	December 31, 2014
Assets		
Current assets		
Cash and cash equivalents	$ 11,269	$ 5,412
Accounts receivable, net	790	1,191
Prepaid expenses and other current assets	655	1,204
Total current assets	12,714	7,807
Property and equipment, net	1,744	2,623
Capitalized software, net	2,873	5,509
Goodwill	4,998	4,998
Intangible assets, net	4,473	3,615
Other assets	905	882
Total assets	$ 27,707	$ 25,434
Liabilities, Convertible Preferred Stock and Stockholders' Deficit		
Current liabilities		
Accounts payable	$ 217	$ 2,088
Accrued employee expenses	2,062	3,150
Accrued expenses	710	1,721
Deferred revenue	2,819	3,772
Other current liabilities	15	2,797
Total current liabilities	5,823	13,528
Deferred revenue	124	8
Other liabilities	2,553	199
Total liabilities	8,500	13,735
Commitments and contingencies (Note 6)		
Convertible preferred stock, Series A, B, B-1, B-2 and B-3, $0.0001 par value, 68,027 shares authorized, issued and outstanding as of December 31, 2013 and 2014. Liquidation preference of $62,020 as of December 31, 2014	63,166	63,166
Stockholders' deficit:		
Common stock, $0.0001 par value, 120,000 and 123,000 shares authorized as of December 31, 2013 and 2014, respectively; 8,871 and 9,042 shares issued and outstanding as of December 31, 2013 and 2014, respectively	1	1
Additional paid-in capital	433	1,546
Accumulated deficit	(44,393)	(53,014)
Total stockholders' deficit	(43,959)	(51,467)
Total liabilities, convertible preferred stock and stockholders' deficit	$ 27,707	$ 25,434

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

APPFOLIO, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Year Ended December 31,	
	2013	2014
Revenue	$ 26,542	$ 47,671
Costs and operating expenses:		
Cost of revenue (exclusive of depreciation and amortization)	13,616	22,555
Sales and marketing	10,337	16,876
Research and product development	5,057	6,505
General and administrative	2,286	6,489
Depreciation and amortization	2,850	3,805
Total costs and operating expenses	34,146	56,230
Operating loss	(7,604)	(8,559)
Other income (expense), net	287	(121)
Interest income, net	12	59
Net loss	$ (7,305)	$ (8,621)
Net loss per share, basic and diluted	$ (0.87)	$ (0.98)
Weighted average common shares outstanding, basic and diluted	8, 437	8,757
Pro forma net loss per share, basic and diluted (unaudited)		$ (0.33)
Pro forma weighted average common shares outstanding, basic and diluted (unaudited)		25,764

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

APPFOLIO, INC.

CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT

(in thousands)

	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount			
Balance December 31, 2012	61,950	$ 51,288	8,540	$ 1	$ 103	$ (37,088)	$ (36,984)
Issuance of restricted stock	—	—	224	—	—	—	—
Exercise of stock options	—	—	120	—	83	—	83
Forfeiture of restricted stock	—	—	(13)	—	—	—	—
Issuance of preferred stock, net of issuance costs	6,077	11,878	—	—	—	—	—
Stock-based compensation	—	—	—	—	247	—	247
Net loss	—	—	—	—	—	(7,305)	(7,305)
Balance December 31, 2013	68,027	63,166	8,871	1	433	(44,393)	(43,959)
Exercise of stock options	—	—	171	—	168	—	168
Stock-based compensation	—	—	—	—	945	—	945
Net loss	—	—	—	—	—	(8,621)	(8,621)
Balance December 31, 2014	68,027	$ 63,166	9,042	$ 1	$ 1,546	$ (53,014)	$ (51,467)

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

APPFOLIO, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended December 31, 2013	2014
Cash from operating activities		
Net loss	$ (7,305)	$ (8,621)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	2,850	3,805
Loss on disposal of property and equipment	47	109
Write-off of intangible assets	—	7
Stock-based compensation	247	892
Gain on sale to SecureDocs	(271)	—
Change in fair value of contingent consideration	(1,337)	26
Loss on equity-method investment	—	19
Changes in operating assets and liabilities:		
Accounts receivable	(490)	(401)
Prepaid expenses and other current assets	(423)	(549)
Other assets	60	(5)
Accounts payable	(146)	1,831
Accrued employee expenses	1,168	1,088
Accrued expenses	308	1,011
Deferred revenue	766	837
Other liabilities	156	426
Net cash (used in) provided by operating activities	(4,370)	475
Cash from investing activities		
Purchases of property and equipment	(1,260)	(1,878)
Additions to capitalized software	(2,370)	(4,567)
Purchases of intangibles	(58)	(31)
Maturities of investments	3,423	—
Net cash used in investing activities	(265)	(6,476)
Cash from financing activities		
Proceeds from stock option exercises	83	168
Principal payments under capital lease obligations	—	(24)
Proceeds from issuance of convertible preferred stock, net of issuance costs	11,878	—
Net cash provided by financing activities	11,961	144
Net cash increase (decrease) in cash and cash equivalents	7,326	(5,857)
Cash and cash equivalents		
Beginning of year	3,943	11,269
End of year	$ 11,269	$ 5,412
Noncash investing activities		
Purchases of property and equipment included in accounts payable	$ 6	$ 46
Assets acquired under capital lease	82	—
Notes and equity method investment received in exchange for property and intangible assets	360	—
Stock-based compensation capitalized for software development	—	53

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

APPFOLIO, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business

AppFolio, Inc. ("we" or "AppFolio") provides industry-specific, cloud-based software solutions for small and medium-sized businesses ("SMBs") in the property management and legal industries. Our platform is designed to be the system of record to automate essential business processes and the system of engagement to enhance business interactions between our customers and their clients and vendors. Our mobile-optimized software solutions have a user-friendly interface across multiple devices, enabling our customers to work at any time and from anywhere. Our property management software provides small and medium-sized property managers with an end-to-end solution to their business needs, enabling them to manage properties quickly and easily in a single, integrated environment. Our legal software provides solo practitioners and small law firms with a streamlined practice and case management solution, allowing them to manage their practices and case load within a flexible system. We also offer optional, but often mission-critical, Value+ services, such as our professionally designed websites and electronic payment services, which are seamlessly built into our core solutions.

Capital Resources

From inception to date, we have financed our operations primarily through private placements of equity securities in the form of convertible preferred stock. As of December 31, 2014, we had cash and cash equivalents of $5.4 million and stockholders' deficit of $51.5 million. In March 2015, we entered into a $12.5 million five-year term loan and revolving line of credit (collectively the "credit facility") (see Note 13). We believe that our existing cash and cash equivalents balance, together with borrowings available under our credit facility, will be sufficient to meet our working capital and capital expenditure requirements for at least the next 12 months.

Our future capital requirements will depend on many factors, including the change in the number of our customers, the adoption and utilization of our Value+ services by new and existing customers, the timing and extent of the introduction of new core functionality and Value+ services in our existing markets and verticals, the timing and extent of our expansion into adjacent markets or new verticals, the timing and extent of our investments across our organization, and the continued market acceptance of our software solutions. In addition, we may in the future enter into arrangements to acquire or invest in complementary businesses, services, technologies or intellectual property rights. We may be required to seek additional equity or debt financing in order to meet these future capital requirements. If we are unable to raise additional capital when desired, or on terms that are acceptable to us, our business, operating results and financial condition could be adversely affected.

Reverse Stock Split

On June 4, 2015, we effected a one-for-four reverse split of our common stock and a proportional adjustment to the conversion ratio of our convertible preferred stock. The par value and the number of authorized shares of our common stock and convertible preferred stock were not adjusted as a result of the reverse split. All share, per share and related information presented in these consolidated financial statements and accompanying notes has been retroactively adjusted, where applicable, to reflect the impact of the reverse stock split, including an adjustment to the preferred stock conversion ratio.

2. Summary of Significant Accounting Policies

Basis of Presentation

Our accounting and financial reporting policies conform to accounting principles generally accepted in the United States of America ("GAAP").

Principles of Consolidation

The accompanying consolidated financial statements include the operations of AppFolio, Inc. and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Our investment in SecureDocs, Inc. ("SecureDocs") is accounted for under the equity method of accounting as we have the ability to exert significant influence, but do not control and are not the primary beneficiary of the entity. Our proportional share of earnings or losses of SecureDocs is included in other income (expense), net in the consolidated statements of operations. Our investment in SecureDocs and our share of its losses are not material individually or in the aggregate to our financial position, results of operations or cash flows for any period presented.

Reclassifications

Certain amounts in the 2013 consolidated balance sheet have been reclassified to conform to the 2014 presentation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates. On an ongoing basis, management evaluates its estimates based on historical data and experience, as well as various other factors that management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources.

Revision to Previously Issued Financial Statements

In September 2012, we raised proceeds of $10.0 million from the issuance of Series B-2 convertible preferred stock. In connection with the issuance of the Series B-2 convertible preferred stock, we had the right to require the Series B-2 investors to purchase up to an additional 3.6 million shares at a price of $1.40 per share ("the Series B-2 put right"). The Series B-2 put right was incorrectly accounted for and valued resulting in a reduction in the carrying value of the convertible preferred stock and an increase in additional paid-in capital in 2012, rather than an increase in the carrying value of convertible preferred stock and a decrease in additional paid-in capital. Upon its termination in 2013 the Series B-2 put right was incorrectly reversed. We concluded that the errors were not material to the previously issued financial statements taken as a whole. We have revised the convertible preferred stock and additional paid-in capital balances as of December 31, 2012 included in the consolidated statements of convertible preferred stock and stockholders' deficit by $2.1 million, and the convertible preferred stock and additional paid-in capital balances as of December 31, 2013 included in the consolidated statements of convertible preferred stock and stockholders' deficit and consolidated balance sheets by $1.5 million. The errors had no impact on our consolidated statements of operations or cash flows.

In addition, we have revised our 2013 financial statements to correct for errors primarily related to the classification of certain balance sheet items. These errors reduced current assets by $0.3 million, increased non-current assets by $0.4 million, increased current liabilities and decreased non-current liabilities each by $0.2 million, and increased interest income by $0.1 million. We concluded that these errors, individually and in aggregate, were not material to our previously issued 2013 financial statements. These errors had no net impact on our cash flows from operating, investing or financing activities.

Segment Information

Our chief operating decision maker ("CODM") reviews financial information presented on an aggregated and consolidated basis, together with revenue information for our core solutions, Value+ and other service

offerings, principally to make decisions about how to allocate resources and to measure our performance. Management has determined that it has one operating segment.

Unaudited Pro Forma Information

Pro forma basic and diluted net loss per share for the year ended December 31, 2014 reflect the conversion of our convertible preferred stock into our common stock, using the if-converted method, as of January 1, 2014.

Concentrations of Credit Risk

Financial instruments that potentially subject us to credit risk consist principally of cash, cash equivalents, accounts receivable and notes receivable.

At times, we maintain cash balances at financial institutions in excess of amounts insured by United States government agencies or payable by the United States government directly. We place our cash and cash equivalents with high credit quality financial institutions.

Concentrations of credit risk with respect to accounts receivable and revenue are limited due to a large, diverse customer base. No individual customer represented more than 10% of accounts receivable or revenue as of and for the years ended December 31, 2013 and 2014, respectively.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Accounting Standard Codification ("ASC") 820, *Fair Value Measurements and Disclosures* ("ASC 820"), describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

- Level 1—Quoted prices in active markets for identical assets or liabilities or funds.
- Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table summarizes our financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2013 and 2014 by level within the fair value hierarchy. Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement (in thousands):

	December 31,							
	2013				2014			
	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value
Cash equivalents	$10,613	$ —	$ —	$ 10,613	$3,696	$ —	$ —	$ 3,696
Total Assets	$10,613	$ —	$ —	$ 10,613	$3,696	$ —	$ —	$ 3,696
Contingent consideration	$ —	$ —	$2,403	$ 2,403	$ —	$ —	$2,429	$ 2,429
Total Liabilities	$ —	$ —	$2,403	$ 2,403	$ —	$ —	$2,429	$ 2,429

As of December 31, 2013 and 2014, cash equivalents consisted of cash invested in money market funds.

Upon the business acquisition of MyCase, Inc. ("MyCase") in October 2012, we recorded a liability for the estimated fair value of the contingent consideration for earn-out payments based upon meeting certain revenue targets during the period from the acquisition date through March 2015. The maximum contingent consideration that could be earned under the acquisition agreement is $6.6 million. The contingent consideration is measured at fair value each period and is based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. The valuation of contingent consideration uses assumptions we believe would be made by a market participant. We assess these estimates on an on-going basis as additional data impacting the assumptions becomes available. Changes in the fair value of contingent consideration related to updated assumptions and estimates are recognized within general and administrative expenses in the consolidated statements of operations. We determined the fair value of the contingent consideration using the probability weighted discounted cash flow method. The significant inputs used in the fair value measurement of contingent consideration are the probability of achieving revenue thresholds and determining discount rates. The change in the fair value of the contingent consideration liability during the year ended December 31, 2013 primarily related to a change in estimates of the performance of MyCase as MyCase was subsumed within our operations.

The following table summarizes the changes in contingent consideration liability (in thousands):

	Contingent Consideration
Fair value as of December 31, 2012	$ 3,740
Change in fair value	(1,337)
Fair value as of December 31, 2013	2,403
Change in fair value	26
Fair value as of December 31, 2014	$ 2,429

The contingent consideration liability is recorded in *other liabilities* and *other current liabilities* on the accompanying consolidated balance sheets as of December 31, 2013 and 2014, respectively. We expect to make the final earn-out payment in May 2015.

The carrying amounts of cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities approximate fair value because of the short maturity of these items. The carrying value of our SecureDocs' note receivable approximates its fair value based on a discounted cash flow analysis.

Certain assets, including goodwill and intangible assets, are also subject to measurement at fair value on a non-recurring basis if they are deemed to be impaired a result of an impairment review. For the years ended December 2013 and 2014, no impairments were identified on those assets required to be measured at fair value on a non-recurring basis.

Cash and Cash Equivalents and Restricted Cash

We consider all highly liquid investments, readily convertible to cash, and which have a remaining maturity date of three months or less at the date of purchase, to be cash equivalents. Cash and cash equivalents are recorded at fair value and consist primarily of bank deposits and money market funds.

Restricted cash of $0.4 million as of December 31, 2013 and 2014, comprised certificates of deposits relating to collateral requirements for customer automated clearing house ("ACH") and credit card chargebacks and minimum collateral requirements for our insurance services, which are recorded in other long term assets.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount, net of allowance for doubtful accounts. The allowance for doubtful accounts is based on historical loss experience, the number of days that receivables are past due, and an evaluation of the potential risk of loss associated with delinquent accounts. Accounts receivable considered uncollectable are charged against the allowance for doubtful accounts when identified. We do not have any off-balance sheet credit exposure related to our customers. As of December 31, 2013 and 2014, our allowance for doubtful accounts was not material.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of assets. The estimated useful lives of our property and equipment are as follows:

Data center and computer equipment	3 years
Furniture and fixtures	7 years
Office equipment	2 to 5 years
Leasehold improvements	Shorter of remaining life of lease or asset life

Repair and maintenance costs are expensed as incurred. Renewals and improvements are capitalized. Assets disposed of or retired are removed from the cost and accumulated depreciation accounts and any resulting gain or loss is reflected in our results of operations.

Internal-Use Software

We account for the costs of computer software obtained or developed for internal use in accordance with ASC 350, *Intangibles—Goodwill and Other* ("ASC 350"). These include costs incurred in connection with the development of our internal-use software solutions when (i) the preliminary project stage is completed, (ii) management has authorized further funding for the completion of the project and (iii) it is probable that the project will be completed and performed as intended. These capitalized costs include personnel and related expenses for employees who are directly associated with and who devote time to internal-use software projects and, when material, interest costs incurred during the development. Capitalization of these costs ceases once the project is substantially complete and the software is ready for its intended purpose. Costs incurred for significant upgrades and enhancements to our software solutions are also capitalized. Costs incurred for post-configuration training, maintenance and minor modifications or enhancements are expensed as incurred. Capitalized software development costs are amortized using the straight-line method over an estimated useful life of three years. We do not transfer ownership of our software, or lease our software, to third parties.

Intangible Assets

Intangible assets primarily consist of customer relationships, acquired technology, trademarks, domain names and patents, which are recorded at cost, less accumulated amortization. We determine the appropriate useful life of our intangible assets by performing an analysis of expected cash flows of the acquired assets. Intangible assets are amortized over their estimated useful lives using the straight-line method, which approximates the pattern in which the economic benefits are consumed.

The estimated useful lives of our intangible assets are as follows:

Customer relationships	5 years
Technology	6 years
Trademarks	10 years
Domain names	5 years
Patents	5 years

Impairment of Long-Lived Assets

We assess the recoverability of our long-lived assets when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Such events or changes in circumstances may include a significant adverse change in the extent or manner in which a long-lived asset is being used, a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset, an accumulation of costs significantly in excess of the amount originally expected for the acquisition or development of a long-lived asset, current or future operating or cash flow losses that demonstrate continuing losses associated with the use of a long-lived asset, or a current expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. Impairment testing is performed at an asset level that represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. We assess recoverability of long-lived assets by determining whether the carrying value of an asset can be recovered through projected undiscounted cash flows over its remaining life. If the carrying value of an asset exceeds the forecasted undiscounted cash flows, an impairment loss is recognized, measured as the amount by which the carrying value exceeds estimated fair value. An impairment loss is charged to operations in the period in which management determines such impairment. There were no impairment charges related to the identified long-lived assets for the years ended December 31, 2013 and 2014.

Business Combinations

The results of a business acquired in a business combination are included in our consolidated financial statements from the date of acquisition. We allocate the purchase price, including the fair value of contingent consideration, to the identifiable assets and liabilities of the acquired business at their acquisition date fair values. The excess of the purchase price over the amount allocated to the identifiable assets and liabilities, if any, is recorded as goodwill.

Determining the fair value of assets acquired and liabilities assumed requires management to make significant judgments and estimates, including the selection of valuation methodologies, estimates of future revenue and cash flows, discount rates and selection of comparable companies.

When we issue awards to an acquired company’s stockholders, we evaluate whether the awards are contingent consideration or compensation for post-acquisition services. The evaluation includes, among other things, whether the vesting of the awards is contingent on the continued employment of the selling stockholder beyond the acquisition date. If continued employment is required for vesting, the awards are treated as compensation for post-acquisition services and recognized as an expense over the requisite service period.

Acquisition-related transaction costs are not included as a component of consideration transferred, but are accounted for as an expense in the period in which the costs are incurred.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in a business combination. We test goodwill for impairment in accordance with the provisions of ASC 350. Goodwill is tested for impairment at least annually at the reporting unit level or whenever events or changes in circumstances indicate that goodwill might be impaired. Events or changes in circumstances which could trigger an impairment review include a significant adverse change in legal factors or in the business climate, unanticipated competition, loss of key personnel, significant changes in the use of the acquired assets or our strategy, significant negative industry or economic trends, or significant underperformance relative to expected historical or projected future results of operations.

ASC 350 provides that an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then additional impairment testing is not required. However, if an entity concludes otherwise, then it is required to perform the first of a two-step impairment test.

The first step involves comparing the estimated fair value of a reporting unit with its book value, including goodwill. If the estimated fair value exceeds book value, goodwill is considered not to be impaired and no additional steps are necessary. If, however, the fair value of the reporting unit is less than book value, then the carrying amount of the goodwill is compared with its implied fair value. The estimate of implied fair value of goodwill may require valuations of certain internally generated and unrecognized intangible assets. If the carrying amount of goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess.

We have one reporting unit and we test for goodwill impairment annually during the fourth quarter of the calendar year. Our qualitative goodwill assessment during the fourth quarter of 2014 concluded there were no indications of impairment based on a number of factors considered including the improvement in key operating metrics over the prior year, the increase in the fair value of our common stock, and continued execution against our strategic objectives.

Revenue Recognition

We charge our customers on a subscription basis for our core solutions and many of our Value+ services. Our subscription fees are designed to scale to the size of our customers' businesses. Our core solutions refer to the base subscriptions for our cloud-based property management and legal software solutions. Value+ services recognized on a subscription basis include website hosting, insurance and contact center services. Subscription fees for our core solutions are charged on a per-unit per-month basis for our property management software solution and on a per-user per-month basis for our legal software solution. Website hosting fees are charged based on the number of websites hosted per month. Insurance and contact center fees are charged on a per-unit per-month basis. We recognize subscription revenue ratably over the terms of the subscription agreements, which range from one month to one year. We offer customers a free-trial period to try our software. Revenue is not recognized until the free-trial period is complete and the customer has entered into a subscription agreement with us. We generally invoice our customers for subscription services in monthly, quarterly or annual installments, typically in advance of the subscription period. As a result, we do not have significant deferred revenue because our invoicing is generally for periods less than one year.

We also charge our customers usage-based fees for using certain Value+ services, although fees for electronic payment processing are generally paid by the clients of our customers. Usage-based services include background and credit checks and electronic payment services. Usage-based fees are charged on a flat fee per transaction basis with no minimum usage commitments. We recognize revenue for usage-based services in the period the service is rendered. We generally invoice our customers for usage-based services on a monthly basis for services rendered in the preceding month.

We also offer our customers assistance with on-boarding our core solutions, as well as website design services. These services are generally purchased as part of a subscription agreement, and are typically performed within the first several months of the arrangement. We recognize revenue for these one-time services upon completion of the related service. We generally invoice our customers for one-time services in advance of the services being completed.

We recognize revenue when (i) there is persuasive evidence of an arrangement, (ii) our software solutions have been made available or delivered, or services have been performed, (iii) the amount of fees is fixed or

determinable, and (iv) collectability is reasonably assured. Evidence of an arrangement generally consists of either a signed customer contract or an online click-through agreement. We consider that delivery of a solution or website has commenced once we provide the customer with access to use the solution or website. Fees are fixed based on rates specified in the subscription agreements, which do not provide for any refunds or adjustments. If collectability is not considered reasonably assured, revenue is deferred until the fees are collected. Some of our subscription agreements contain minimum cancellation fees in the event that the customer cancels the subscription early.

As customers do not have the right to the underlying software code for our software solutions, our revenue arrangements are outside the scope of software revenue recognition guidance.

Multiple-Deliverable Arrangements

The majority of customer arrangements include multiple deliverables. We therefore recognize revenue in accordance with Accounting Standards Update ("ASU") 2009-13, *Revenue Recognition (Topic 605)—Multiple—Deliverable Revenue Arrangements—a Consensus of the Emerging Issues Task Force* ("ASU 2009-13").

For multiple-deliverable arrangements, we first assess whether each deliverable has value to the customer on a standalone basis. We have determined that the subscription services related to our core solutions have value on a standalone basis because, once access is provided, they are fully functional and do not require additional development, modification or customization. Subscription services related to website hosting, insurance services and contact center services have value on a standalone basis as the services are sold separately by other vendors and are not essential to the functionality of the other deliverables. Usage-based services have value to the customer on a standalone basis as they are sold separately by other vendors and are not essential to the functionality of the other deliverables. The usage-based services are typically entered into subsequent to the initial customer arrangement. In multiple-deliverable arrangements that contain usage-based services, the customer has the option to purchase the services on an ad hoc basis, and payments are made when the services are rendered. The one-time services to assist our customers with on-boarding our core solutions, as well as website design services, have value on a standalone basis as these services do not require highly specialized or skilled individuals to perform them, are not essential to the functionality of our software solutions and may be performed by the customer or another vendor.

Based on the standalone value of the deliverables, and since our customers do not have a general right of return, we allocate revenue among the separate non-contingent deliverables in a multiple-deliverable arrangement under the relative selling price method using the selling price hierarchy established in ASU 2009-13. Usage-based services are not included in the relative revenue allocation at the inception of the arrangement as they are contingent on the customer's use of the applicable Value+ service. Usage-based services do not contain any significant incremental discounts. The ASU 2009-13 selling price hierarchy requires the selling price of each deliverable in a multiple-deliverable arrangement to be based on, in descending order, (i) vendor-specific objective evidence of fair value ("VSOE"), (ii) third-party evidence of fair value ("TPE"), or (iii) management's best estimate of the selling price ("BESP").

For our core solutions, we have established VSOE based on our consistent historical pricing and discounting practices for customer renewals where the customer only subscribes to our core solutions. In establishing VSOE, the substantial majority of the selling prices for our core solutions fall within a reasonably narrow pricing range.

For our Value+ services and services relating to on-boarding our core solutions, as well as website design services, we were not able to determine VSOE because they are not sold by us separately from other deliverables. In addition, we considered whether TPE existed for these services and determined TPE existed for our website hosting based on prices charged by other companies selling similar services separately. For our remaining services, the selling prices of other deliverables are based on BESP. The determination of BESP requires us to make significant judgments and estimates. We consider numerous factors, including the nature of the

deliverables themselves, the market conditions and competitive landscape for the sale, internal costs, and our published pricing and discounting practices. We maintain pricing transparency and adhere to our published price lists in selling these services to our customers. We update our estimates of BESP on an ongoing basis as events and circumstances may require.

After the contract value is allocated to each non-contingent deliverable in a multiple-deliverable arrangement based on the relative selling price, revenue is recognized for each deliverable based on the pattern in which the revenue is earned. For subscription services, revenue is recognized on a straight-line basis over the subscription period. For usage-based services, revenue is recognized as the services are rendered. For one-time services, revenue is recognized upon completion of the related services.

We record amounts collected from our customers in advance of recognizing revenue as deferred revenue. Deferred revenue that will be recognized as revenue within one year from the respective balance sheet date is recorded as current deferred revenue and the remaining portion, if any, is recorded as noncurrent.

Cost of Revenue

Cost of revenue consists of personnel-related costs (including salaries, incentive-based compensation, benefits, and stock-based compensation) for our employees focused on customer service and the support of our operations, platform infrastructure costs (such as data center operations and hosting-related costs), fees paid to third-party service providers, payment processing fees, and allocated shared costs. We typically allocate shared costs across our organization based on headcount within the applicable part of our organization. Cost of revenue excludes depreciation of property and equipment, and amortization of capitalized software development costs and intangible assets.

Sales and Marketing

Sales and marketing expense consists of personnel-related costs (including salaries, sales commissions, incentive-based compensation, benefits, and stock-based compensation) for our employees focused on sales and marketing, costs associated with sales and marketing activities, and allocated shared costs. Marketing activities include advertising, online lead generation, lead nurturing, customer and industry events, industry-related content creation and collateral creation. Sales commissions and other incremental costs to acquire customers and grow adoption and utilization of our Value+ services by new and existing customers are expensed as incurred. We focus our sales and marketing efforts on generating awareness of our software solutions, creating sales leads, establishing and promoting our brands, and cultivating an educated community of successful and vocal customers. Advertising expenses were $1.3 million and $2.1 million for the years ended December 31, 2013 and 2014, respectively, and are expensed as incurred.

Research and Product Development

Research and product development expense consists of personnel-related costs (including salaries, incentive-based compensation, benefits, and stock-based compensation) for our employees focused on research and product development, fees for third-party development resources, and allocated shared costs. Our research and product development efforts are focused on enhancing the ease of use and functionality of our existing software solutions by adding new core functionality, Value+ services and other improvements, as well as developing new products. We capitalize the portion of our software development costs that meets the criteria for capitalization. Amortization of software development costs is included in depreciation and amortization expense.

General and Administrative

General and administrative expense consists of personnel-related costs (including salaries, incentive-based compensation, benefits, and stock-based compensation) for employees in our executive, finance, information

technology, or IT, human resources and administrative organizations. In addition, general and administrative expense includes fees for third-party professional services (including consulting, legal and audit services), other corporate expenses, and allocated shared costs.

Depreciation and Amortization

Depreciation and amortization expense includes depreciation of property and equipment, amortization of capitalized software development costs and amortization of intangible assets. We depreciate or amortize property and equipment, software development costs and intangible assets over their expected useful lives on a straight-line basis, which approximates the pattern in which the economic benefits of the assets are consumed.

Stock-Based Compensation

We account for stock-based compensation awards granted to employees and directors by recording compensation expense based on the awards' grant-date estimated fair value, in accordance with ASC 718, *Compensation—Stock Compensation* ("ASC 718"). We estimate the fair value of restricted stock awards based on the fair value of our common stock. We estimate the fair value of stock options using the Black-Scholes option-pricing model. Determining the fair value of stock-based compensation awards under this model requires highly subjective assumptions, including the fair value of the underlying common stock, the risk-free interest rate, the expected term of the award, the expected volatility of the price of our common stock, and the expected dividend yield of our common stock. These estimates involve inherent uncertainties and the application of management's judgment. If we had made different assumptions, our stock-based compensation expense and our net loss could have been materially different.

These assumptions and estimates are as follows:

- *Fair Value of Common Stock*. Because there is no public market for our common stock, our board of directors has determined the fair value of our common stock at the time of the grant of stock options and restricted stock awards by considering a number of objective and subjective factors, including our actual operating and financial performance, market conditions and performance of comparable publicly traded companies, developments and milestones in our company, the likelihood of achieving a liquidity event and transactions involving our convertible preferred stock, among other factors. The fair value of the underlying common stock will be determined by our board of directors until such time as our common stock commences trading on an established stock exchange or national market system. The fair value has been determined in accordance with applicable elements of the practice aid issued by the American Institute of Certified Public Accountants titled *Valuation of Privately Held Company Equity Securities Issued as Compensation*. In valuing our common stock at various dates, our board of directors determined our equity value generally using the income approach and the market comparable approach valuation methods. Once we determined our equity value, we used an option pricing method or the Probability Weighted Expected Return Method to allocate the equity value to preferred stock and common stock. Application of these approaches and methods involves the use of estimates, judgments and assumptions, such as future revenue, expenses and cash flows, selections of comparable companies, probabilities and timing of exit events, and other factors. Our board of directors grants stock options with exercise prices equal to the fair value of our common stock on the date of grant.
- *Risk-Free Interest Rate*. The risk free interest rate assumption is based upon observed interest rates on United States government securities appropriate for the expected term of the stock option.
- *Expected Term*. Given we do not have sufficient exercise history to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior, we determine the expected term using the simplified method, which is calculated as the midpoint of the stock option vesting term and the expiration date of the stock option.

- *Expected Volatility*. We determine the expected volatility based on the historical average volatilities of publicly traded industry peers. We intend to continue to consistently apply this methodology using the same or similar public companies until a sufficient amount of historical information regarding the volatility of our own common stock price becomes available, unless circumstances change such that the identified companies are no longer similar to us, in which case, more suitable companies whose stock prices are publicly available would be utilized in the calculation.
- *Expected Dividend Yield*. We have not paid and do not anticipate paying any cash dividends in the foreseeable future and, therefore, we use an expected dividend yield of zero.

The following table summarizes information relating to our stock options granted in the years ended December 31, 2013 and 2014:

	Year Ended December 31,	
	2013	2014
Stock options granted (in thousands)	126	702
Weighted average exercise price per share	$ 1.80	$ 4.60
Weighted average Black-Scholes model assumptions:		
Risk-free interest rate	1.24%	1.86%
Expected term (in years)	6.0	6.2
Expected volatility	51%	48%
Expected dividend yield	—	—

In addition to the assumptions used in the Black-Scholes option-pricing model, we also estimate a forfeiture rate to calculate our stock-based compensation expense for our awards. The forfeiture rate is based on an analysis of actual forfeitures. We will continue to evaluate the appropriateness of the forfeiture rate based on actual forfeiture experience, analysis of employee turnover, and other factors. Changes in the estimated forfeiture rate can have a significant impact on our stock-based compensation expense as the cumulative effect of adjusting the rate is recognized in the period the estimated forfeiture rate is changed. If a revised forfeiture rate is higher than the previously estimated forfeiture rate, an adjustment is made that will result in a decrease to our stock-based compensation expense recognized in our consolidated financial statements. If a revised forfeiture rate is lower than the previously estimated forfeiture rate, an adjustment is made that will result in an increase to our stock-based compensation expense recognized in our consolidated financial statements.

Income Taxes

We account for income taxes in accordance with ASC 740, *Income Taxes* (“ASC 740”). ASC 740 requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the consolidated statements of operations in the period that includes the enactment date. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in our consolidated financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized. We recognize interest and penalties accrued with respect to uncertain tax positions, if any, in our provision for income taxes in the consolidated statements of operations.

Net Loss per Share

In periods in which we have net income, we apply the two-class method for calculating earnings per share. Under the two-class method, our net income is attributed to our common stockholders and participating securities based on their participation rights. Participating securities include convertible preferred stock and restricted stock. In periods in which we have net losses, we do not attribute losses to participating securities as they are not contractually obligated to share our losses.

Basic loss per share is calculated by dividing net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding, net of the weighted average unvested restricted stock subject to repurchase, if any, during the period.

Diluted loss per share is calculated by dividing the net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding, adjusted for the effects of potentially dilutive common stock, which are comprised of stock options, using the treasury-stock method, and convertible preferred stock, using the if-converted method.

The following table presents a reconciliation of our weighted average number of shares used to compute net loss per share (in thousands):

	Year Ended December 31,	
	2013	2014
Weighted average shares outstanding	8,807	8,998
Weighted average unvested restricted shares subject to repurchase	(370)	(241)
Weighted average number of shares used to compute basic and diluted net loss per share	8,437	8,757

Because we reported net losses for all periods presented, all potentially dilutive common stock are antidilutive for those periods.

The following table presents the number of anti-dilutive shares excluded from the calculation of diluted net loss per share as of December 31, 2013 and 2014 (in thousands):

	Year Ended December 31,	
	2013	2014
Options to purchase common stock	725	1,217
Conversion of convertible preferred stock	17,007	17,007
Unvested restricted stock awards	335	173
Total shares excluded from net loss per share attributable to common stockholders	18,067	18,397

Unaudited Pro Forma Net Loss per Share

The following table sets forth the computation of our pro forma basic and diluted net loss per share for the year ended December 31, 2014 (in thousands, except per share data):

Net loss	$ (8,621)
Weighted average number of shares used to compute net loss per share	8,757
Pro forma adjustment to reflect assumed conversion of convertible preferred stock to common stock	17,007
Weighted average number of shares used to compute pro forma basic and diluted net loss per share	25,764
Pro forma net loss per share attributable to common stockholders, basic and diluted	$ (0.33)

Comprehensive Loss

ASC 220, *Comprehensive Income*, establishes standards for the reporting and display of comprehensive loss and its components in the financial statements. As of December 31, 2013 and 2014, we had no other comprehensive income (loss) items; therefore, comprehensive loss equals net loss. Accordingly, we have not included a separate statement of comprehensive loss in the financial statements.

Recent Accounting Pronouncements

Under the Jumpstart our Business Startups Act (the "JOBS Act"), we meet the definition of an emerging growth company. We have irrevocably elected to opt out of the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act.

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. ASU 2014-09 is currently effective on January 1, 2017, although the FASB has proposed rules to defer its effectiveness until 2018. Early adoption is not permitted. The standard permits the use of either a retrospective or cumulative effect transition method. We have not determined which transition method we will adopt, nor have we determined the effect of this guidance on our financial condition, results of operations, cash flows or disclosures.

3. Property and Equipment

Property and equipment consists of the following as of December 31, 2013 and 2014 (in thousands):

	December 31,	
	2013	2014
Data center and computer equipment	$ 1,935	$ 2,871
Furniture and fixtures	705	1,158
Office equipment	179	215
Leasehold improvements	129	333
Gross property and equipment	2,948	4,577
Less: Accumulated depreciation	(1,204)	(1,954)
Total property and equipment, net	$ 1,744	$ 2,623

Depreciation expense on property and equipment totaled $0.5 million and $0.9 million for the years ended December 31, 2013 and 2014, respectively.

As of December 31, 2013 and 2014, property and equipment included property and equipment under capital leases with a cost basis of $82,000. Accumulated depreciation on property and equipment under capital leases as of December 31, 2013 and 2014 was $0 and $21,000, respectively.

4. Internal-Use Software Development Costs

Internal-use software development costs were as follows (in thousands):

	December 31,	
	2013	2014
Internal use software development costs, gross	$ 9,415	$13,931
Less: Accumulated amortization	(6,542)	(8,422)
Internal use software development costs, net	$ 2,873	$ 5,509

For the years ended December 31, 2013 and 2014, $2.4 million and $4.6 million of software development costs were capitalized and $1.5 million and $2.0 million were amortized, respectively.

Future amortization expense with respect to capitalized software development costs as of December 31, 2014 is estimated as follows (in thousands):

Years Ending December 31,	
2015	$2,497
2016	2,040
2017	950
2018	22
Total amortization expense	$5,509

5. Intangible Assets

Intangible assets consisted of the following as of December 31, 2013 and 2014 (in thousands, except years):

	December 31, 2013			
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted Average Useful Life in Years
Customer relationships	$ 230	$ (58)	$ 172	5.0
Technology	4,000	(833)	3,167	6.0
Trademarks	800	(100)	700	10.0
Domain names	313	(123)	190	5.0
Patents	293	(49)	244	5.0
	$ 5,636	$ (1,163)	$ 4,473	6.4

	December 31, 2014			
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted Average Useful Life in Years
Customer relationships	$ 230	$ (104)	$ 126	5.0
Technology	4,000	(1,500)	2,500	6.0
Trademarks	800	(180)	620	10.0
Domain names	287	(161)	126	5.0
Patents	324	(81)	243	5.0
	$ 5,641	$ (2,026)	$ 3,615	6.4

Amortization expense for the years ended December 31, 2013 and 2014 was $0.9 million and $0.9 million, respectively. Amortization expense for each of the five fiscal years through December 31, 2019 and thereafter is estimated as follows (in thousands):

Years Ending December 31,	
2015	$ 886
2016	899
2017	862
2018	619
2019	113
Thereafter	236
Total amortization expense	$3,615

6. Commitments and Contingencies

Lease Obligations

As of December 31, 2014, we had various non-cancellable operating leases related to our office facilities.

As of December 31, 2014, future minimum payments for obligations under non-cancellable operating leases were as follows (in thousands):

Years Ending December 31,	
2015	$1,043
2016	1,004
2017	818
2018	137
2019	—
Thereafter	—
Total minimum lease payments	$3,002

We recorded rent expense of $0.8 million and $1.0 million for the years ended December 31, 2013 and 2014, respectively.

As of December 31, 2014, our future minimum payments for capital lease obligations relating to office equipment were $37,000 for 2015 and $34,000 for 2016.

Contingent Consideration Liability

In October 2012, we acquired all of the outstanding shares of MyCase, a company that developed a practice and case management software solution for the legal market. The purchase price included cash paid at closing and contingent consideration comprised of potential earn-out payments based upon the operations meeting certain revenue targets during the 30 months following the acquisition date. The fair value of the contingent consideration liability was $2.4 million as of December 31, 2013 and 2014. The contingent consideration liability is included in long term *other liabilities* and *other current liabilities* in the consolidated balance sheets as of December 31, 2013 and 2014, respectively.

Insurance

We have a wholly owned subsidiary, Terra Mar Insurance Company, Inc. (“Terra Mar”), which was established to provide our customers with the option to purchase tenant liability insurance. If our customers choose to use our insurance services, they are issued an insurance policy underwritten by our third-party service provider. The policy has a limit of $100,000 per incident for each insured residence. We have entered into a reinsurance agreement with our third-party service provider and, as a result, we assume a 100% quota share of the tenant liability insurance provided to our customers through our third-party service provider. We accrue in cost of revenue losses reported and an estimate of losses incurred but not reported by our property manager customers, as we bear the risk related to claims. Our liability for reported and incurred but not reported claims as of December 31, 2013 and 2014 was $0 and $0.3 million, respectively, and is included in *other current liabilities* in the consolidated balance sheets.

Included in other current assets as of December 31, 2013 and 2014 are $0.2 million and $0.6 million, respectively, of deposits held with a third party related to requirements to maintain collateral for our insurance services.

Litigation

From time to time, we may become subject to legal proceedings, claims and litigation arising in the ordinary course of business. We are not currently a party to any legal proceedings, nor are we aware of any pending or threatened litigation, that would have a material adverse effect on our business, operating results, cash flows or financial condition should such litigation be resolved unfavorably.

Indemnification

In the ordinary course of business, we may provide indemnification of varying scope and terms to customers, investors, directors and officers with respect to certain matters, including, but not limited to, losses arising out of our breach of such agreements, services to be provided by us, or from intellectual property infringement claims made by third parties. These indemnification provisions may survive termination of the underlying agreement and the maximum potential amount of future payments we could be required to make under these indemnification provisions may not be subject to maximum loss clauses. The maximum potential amount of future payments we could be required to make under these indemnification provisions is indeterminable. We have never paid a material claim, nor have we been sued in connection with these indemnification arrangements. As of December 31, 2013 and 2014, we had not accrued a liability for these indemnification arrangements because the likelihood of incurring a payment obligation, if any, in connection with these indemnification arrangements is not probable or reasonably estimable.

7. Convertible Preferred Stock and Stockholders' Deficit

As of December 31, 2013 and 2014, we were authorized to issue two classes of shares designated common stock and preferred stock. The total number of shares that we have authority to issue is 191,026,659, of which 123,000,000 shares are designated as common stock with a par value of $0.0001 per share, and 68,026,659 shares are designated as preferred stock with a par value of $0.0001 per share.

Convertible Preferred Stock

Our authorized preferred stock consists of Series A convertible preferred stock ("Series A"), Series B convertible preferred stock ("Series B"), Series B-1 convertible preferred stock ("Series B-1"), Series B-2 convertible preferred stock ("Series B-2") and Series B-3 convertible preferred stock ("Series B-3") (collectively the "preferred stock").

In November 2013, we raised proceeds of $11.8 million net of issuance costs through the issuance of 6,077,119 shares of Series B-3 convertible preferred stock.

As of December 31, 2013 and 2014, information for each class of convertible preferred stock is as follows (in thousands, except liquidation preference per share):

	Authorized Shares	Issued and Outstanding	Aggregate Liquidation Preference	Liquidation Preference Per Share of Preferred Stock
Convertible preferred stock				
Series A	16,130	16,130	$ 5,000	$ 0.3100
Series B	30,269	30,269	25,020	0.8266
Series B-1	8,423	8,423	10,000	1.1872
Series B-2	7,128	7,128	10,000	1.4030
Series B-3	6,077	6,077	12,000	1.9746
	68,027	68,027	$ 62,020	

The following describes the various rights and preferences for the preferred stockholders.

Voting

The holders of the preferred stock are entitled to vote, together with the holders of common stock, on all matters submitted to stockholders for a vote. Each preferred stockholder is entitled to the number of votes equal to the number of shares of common stock into which each preferred share is convertible at the time of such vote.

Dividends

The Series A, Series B, Series B-1, Series B-2 and Series B-3 holders are entitled to receive noncumulative dividends when and if declared by our board of directors at an annual rate of $0.0248, $0.0661, $0.0950, $0.1122 and $0.1580 per share, respectively. If our board of directors declares a dividend on any share or class of capital stock, the preferred stock participates in any dividend declared. No dividends have been declared by our board of directors through December 31, 2014.

Liquidation

In the event of our liquidation, deemed liquidation event (including a change in control), dissolution or winding up, prior to any distribution to common stockholders, the Series A, Series B, Series B-1, Series B-2 and Series B-3 preferred stockholders are entitled to the greater of (i) the original issuance price plus any declared but unpaid dividends or (ii) such amount per share as would have been payable had all shares of preferred stock been converted into common stock immediately prior to such liquidation, dissolution or winding up.

If there are not sufficient assets to distribute the full liquidation amounts to the Series A, Series B, Series B-1, Series B-2 and Series B-3 preferred stockholders, then the available assets are distributed pro rata among the Series A, Series B, Series B-1, Series B-2 and Series B-3 preferred stockholder based on the number of shares owned.

After the payment of all preferential amounts required to be paid to the holders of preferred stock, the remaining assets available for distribution will be distributed among the holders of common stock ratably based on the number of shares of common stock owned by each stockholder.

The original issuance price per share of the Series A, Series B, Series B-1, Series B-2 and Series B-3 was $0.31, $0.8266, $1.1872, $1.403 and $1.9746, respectively.

The liquidation preference provisions of the convertible preferred stock are considered contingent redemption provisions because there are certain elements that were not solely within our control, such as a change in control. Accordingly, we presented the convertible preferred stock within the mezzanine portion of the consolidated balance sheets.

Conversion

Each share of Series A, Series B, Series B-1, Series B-2 and Series B-3 is convertible, at the option of the holder, into shares of common stock at a conversion rate determined by dividing the original issuance price per share by the conversion price per share. The conversion price per share of the Series A, Series B, Series B-1, Series B-2 and Series B-3 is $1.24, $3.3064, $4.7488, $5.612 and $7.8984, respectively, subject to proportional adjustments for certain dilutive issuances, splits, combinations, and other recapitalizations and reorganizations. The preferred stock automatically converts to common stock immediately prior to the completion of a public offering of our common stock for which aggregate gross proceeds to us are at least $40 million and at a price per share of at least $16.828, or upon a majority vote of all preferred stockholders voting as a single class on an as-converted basis at the then effective conversion rate. After giving effect to the reverse split of our common stock and the proportional adjustment to the conversion ratio of our convertible preferred stock, which became effective on June 4, 2015, each share of preferred stock converts into one fourth of a share of common stock.

Unissued Shares of Common Stock

We are required to reserve and keep available out of our authorized but unissued shares of common stock such number of shares sufficient to effect the conversion of all outstanding shares of preferred stock, plus shares granted and available for grant under our stock option plan.

The number of shares of our common stock reserved for these purposes as of December 31, 2014 was as follows (in thousands):

	December 31, 2014
Convertible preferred stock issued	17,007
Outstanding stock options	1,217
Additional shares available for grant	245
Reserve required for unissued common shares	18,469
Common shares outstanding	9,042
Total reserve required	27,511

8. Stock-Based Compensation

Stock Options

On February 14, 2007, our board of directors adopted the 2007 Stock Incentive Plan (the "Plan") as an amendment and restatement to an original 2006 Equity Incentive Plan. Under the Plan, the number of shares of our common stock to be granted or subject to options or rights may not exceed 17 million. The Plan is administered by our board of directors, which determines the terms and conditions of each grant. Employees, officers, directors and consultants are eligible to receive stock options and stock awards under the Plan. The aggregate number of shares available under the Plan and the number of shares subject to outstanding options automatically adjusts for any changes in the outstanding common stock by reason of any recapitalization, spin-off, reorganization, reclassification, stock dividend, stock split, reverse stock split, or similar transaction. The exercise price of incentive stock options may not be less than the fair value of our common stock at the date of grant. The exercise price of incentive stock options granted to individuals that own greater than 10% of our voting stock may not be less than 110% of the fair value of our common stock at the date of grant. The term of each stock option cannot exceed ten years. Our board of directors will determine the vesting terms of all stock options. Generally, our board of directors has granted options with vesting terms of four years and contractual terms of ten years.

A summary of our stock option activity under the Plan for the year ended December 31, 2014 is as follows (number of shares in thousands):

	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Life in Years
Options outstanding as of December 31, 2013	725	$ 1.16	6.8
Options granted	702	4.60	
Options exercised	(171)	1.00	
Options cancelled/forfeited	(39)	2.36	
Options outstanding as of December 31, 2014	1,217	$ 3.12	8.2
As of December 31, 2014			
Options vested or expected to vest	1,126	$ 3.04	8.1
Options exercisable	447	1.16	5.8

As of December 31, 2014, total remaining stock-based compensation expense for unvested stock options was $1.3 million, which is expected to be recognized over a weighted average period of 4.0 years.

The weighted-average grant-date fair value per share of options granted for the years ended December 31, 2013 and 2014 was $0.88 and $2.20, respectively. We recorded stock-based compensation expense for stock option awards of $0.1 million for the years ended December 31, 2013 and 2014, respectively.

The total intrinsic value of options exercised in 2013 and 2014 was $0.2 million and $0.4 million, respectively. This intrinsic value represents the difference between the fair market value of our common stock on the date of exercise and the exercise price of each option. Based on the fair value of our common stock as of December 31, 2014, the total intrinsic value of all outstanding options was $2.2 million. The total intrinsic value of exercisable options as of December 31, 2014 was $1.7 million. The total intrinsic value of options vested and expected to vest as of December 31, 2014 was $2.1 million.

There were no excess tax benefits realized for the tax deductions from stock options exercised during the years ended December 31, 2013 and 2014.

The table below sets forth information regarding stock options granted from January 1, 2014 to December 31, 2014 (number of shares in thousands):

Grant Date	Number of Shares	Exercise Price per Share at Grant Date	Estimated per Share Fair Value of Common Stock at Grant Date	Intrinsic Value per Share at Grant Date
January 30, 2014	77	$ 3.28	$ 3.28	$ —
April 30, 2014	42	$ 3.28	$ 3.28	$ —
July 23, 2014	48	$ 4.16	$ 4.16	$ —
December 3, 2014	535	$ 4.92	$ 4.92	$ —

Restricted Stock

Activity in connection with our restricted stock was as follows for the year ended December 31, 2014 (number of shares in thousands):

	Number of Shares	Weighted-Average Grant Date Fair Value per Share
Unvested as of December 31, 2013	335	$ 1.60
Granted	—	—
Vested	(162)	1.52
Forfeited	—	—
Unvested as of December 31, 2014	173	$ 1.68

The restricted stock awards vest over a four-year period. For the years ended December 31, 2013 and 2014, we recognized stock-based compensation expense for restricted stock awards of $0.2 million and $0.8 million, respectively.

The weighted average grant-date fair value per share of restricted stock granted during the year ended December 31, 2013 was $1.80. As of December 31, 2014, total remaining stock-based compensation expense for unvested restricted stock is $0.3 million, which is expected to be recognized over a weighted average period of 1.86 years.

Certain key employees, including officers, purchased shares of restricted stock in exchange for promissory notes in our favor, bearing interest at rates ranging from 0.87% to 5.09% per annum. The principal amounts of

certain notes were automatically forgiven under the terms of the notes over the vesting period of the restricted stock, provided the employee continued providing services to us through the forgiveness dates. For accounting purposes, these notes were considered non-substantive and the notes were not reflected in our consolidated financial statements. Other notes were considered nonrecourse notes, as the notes were in substance collateralized only by the shares of our common stock underlying the restricted stock awards. The notes were considered stock options for accounting purposes, and were not recorded in the consolidated balance sheets. Total notes receivable as of December 31, 2013 were $1.1 million. In 2014, the nonrecourse notes were in substance forgiven as we paid a bonus plus applicable tax withholdings to the employees and the employees used the bonus to repay the notes in full. The forgiveness of the nonrecourse notes during the year ended December 31, 2014 was considered a modification to the underlying terms of the stock options, which resulted in additional stock-based compensation expense of $0.7 million, which was recorded in the year ended December 31, 2014, and $0.1 million, which will be recorded over the remaining vesting period of the restricted stock awards. As of December 31, 2014, no employee notes were outstanding.

9. Business Disposition

In December 2013, we sold and licensed certain assets of our secure data room product to SecureDocs, a newly formed C-corporation led by our former employees. As consideration, we received a (i) 20% nondilutive common stock interest in SecureDocs, (ii) $2 million promissory note payable upon the earlier of (a) a sale of SecureDocs, (b) the ninth anniversary of the transaction, or (c) bankruptcy, insolvency or other liquidation or dissolution of SecureDocs, and (iii) the right of first refusal to purchase SecureDocs in the event that an offer to purchase SecureDocs is made by a third party.

The disposition of this business was accounted for as a change in interest due to our loss of control over SecureDocs. We derecognized the carrying value of the SecureDocs' net assets and liabilities of $0.1 million and recognized the fair value of the consideration received of approximately $0.4 million resulting in a gain of $0.3 million, which is included in other income (expense), net in the consolidated statements of operations. The fair value of the consideration received was estimated using a discounted cash flow analysis.

Following the disposition, we account for the investment in SecureDocs under the equity method of accounting so that, at the end of each reporting period, the investment is adjusted for our proportionate share of the net loss or income of SecureDocs. As of December 31, 2013, the investment in SecureDocs of $28,000 and the related-party note receivable of $0.3 million (net of allowance) were reflected in other assets on the consolidated balance sheets. During the year ended December 31, 2014, we recorded our share of the losses of SecureDocs, reducing the carrying value of the equity-method investment in SecureDocs to $0.

10. Income Taxes

We had no provision for income taxes for the years ended December 31, 2013 and 2014 because we have incurred losses and maintain a full valuation allowance against our net deferred tax assets.

Set forth below is a reconciliation of the components that caused our provision for income taxes to differ from amounts computed by applying the U.S. Federal statutory rate of 34% for the years ended December 31, 2013 and 2014:

	Year Ended December 31,	
	2013	2014
Income tax benefit at the statutory rate	34%	34%
Change in contingent consideration	6	0
Permanent differences	(2)	(1)
Change in valuation allowance	(43)	(37)
Research and development credits	5	4
Provision for income taxes	0%	0%

The components of deferred tax assets (liabilities) were as follows (in thousands):

	December 31, 2013	December 31, 2014
Deferred income tax assets:		
Net operating loss carryforwards	$ 19,274	$ 22,579
Research and development tax credits	1,331	2,014
Other	462	708
Gross deferred tax assets	21,067	25,301
Valuation allowance	(16,358)	(19,900)
Deferred tax assets, net of valuation allowance	4,709	5,401
Deferred tax liabilities:		
Property, equipment and software	(1,463)	(2,351)
Intangible assets	(1,851)	(1,282)
State taxes	(1,249)	(1,450)
Other	(146)	(318)
Total deferred tax liabilities	(4,709)	(5,401)
Total net deferred tax assets	$ —	$ —

As of December 31, 2014, we had federal net operating losses of $56.3 million, which will begin to expire in 2027. As of December 31, 2014, we had state net operating losses of $40.2 million, which will begin to expire in 2017. As of December 31, 2014, we also had federal and state research and development credit carryforwards of $2.0 million and $2.1 million, respectively. The federal credit carryforwards will begin to expire in 2027, while the state credits carry forward indefinitely.

The Internal Revenue Code of 1986, as amended (“IRC”), imposes substantial restrictions on the utilization of net operating losses and other tax attributes in the event of an “ownership change” of a corporation. Accordingly, a company’s ability to use pre-change net operating loss and research tax credits may be limited as prescribed under IRC Section 382. Events which may cause limitation in the amount of the net operating losses and credits that we utilize in any one year include, but are not limited to, a cumulative ownership change of more than 50% over a three-year period. Due to the effects of historical equity issuances, utilization of our net operating losses may be limited pursuant to IRC Section 382. The IRC Section 382 limitation is not expected to have a material effect on our financial statements.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative loss incurred through December 31, 2014. Such objective evidence limits the ability to consider other subjective positive evidence such as its future income projections. On the basis of this evaluation, as of December 31, 2014, a valuation allowance of $19.9 million has been recorded since it is more likely than not that the deferred tax assets will not be realized.

The change in the valuation allowance for the years ended December 31, 2013 and 2014 was as follows (in thousands):

	Year Ended December 31, 2013	Year Ended December 31, 2014
Valuation allowance, at beginning of year	$ 12,809	$ 16,358
Increase in valuation allowance	3,549	3,542
Valuation allowance, at end of year	$ 16,358	$ 19,900

The following is a reconciliation of the total amounts of unrecognized tax benefits (in thousands):

	Year Ended December 31,	
	2013	2014
Unrecognized tax benefit beginning of year	$ 936	$ 1,600
Decreases—tax positions in prior year	—	(278)
Increases—tax positions in current year	664	692
Unrecognized tax benefit end of year	$ 1,600	$ 2,014

The unrecognized tax benefits are recorded as a reduction to the deferred tax assets. Since there is a full valuation allowance recorded against the deferred tax assets, the recognition of previously unrecognized tax benefits on uncertain positions would result in no impact to the effective tax rate.

As of December 31, 2014, we had no accrued interest and penalties related to uncertain income tax positions. We do not anticipate that the amount of unrecognized tax benefits will significantly increase or decrease within the next 12 months.

We are subject to taxation in the United States and various states. Due to the presence of net operating loss carryforwards, the years ended December 31, 2011 through 2014 remain open to examination by the Internal Revenue Service ("IRS") and the years ended December 31, 2010 through 2014 remain open to examination by state taxing authorities. We are not currently under audit by any taxing authorities.

11. Revenue and Other Information

The CODM reviews separate revenue information for our core solutions, Value+ and other service offerings as a measure of growth in the number of our customers and growth in the adoption and utilization of our core solutions and Value+ services by new and existing customers. The following table presents our revenue categories for the years ended December 31, 2013 and 2014 (in thousands):

	Year Ended December 31,	
	2013	2014
Core solutions	$ 14,413	$ 22,406
Value+ services	10,134	22,525
Other	1,995	2,740
Total revenues	$ 26,542	$ 47,671

Value+ services presented in the table above include subscriptions to website hosting services and contact center services. Other services included above are for one-time services related to on-boarding our core solutions as well as website design services.

Our revenue is generated primarily from U.S. customers. All of our property and equipment is located in the United States.

12. Retirement Plans

We have a 401(k) retirement and savings plan made available to all employees. The 401(k) plan allows each participant to contribute up to an amount not to exceed an annual statutory maximum. We may, at our discretion, make matching contributions to the 401(k) plan. We are responsible for the administrative costs of the 401(k) plan. We have not made any contributions to the 401(k) plan since inception.

13. Subsequent Events

We evaluated subsequent events through April 17, 2015, the date of issuance of our consolidated financial statements. We also evaluated subsequent events through June 4, 2015 for the effects of the reverse stock split described in Note 1.

Subsequent to December 31, 2014, we granted to employees options to purchase 170,677 shares of our common stock at a weighted average exercise price of $5.64 per share. In addition, we issued 25,000 shares of restricted stock with a purchase price of $5.64 per share.

Subsequent to December 31, 2014, we entered into a new operating lease to expand our office space, which increased our minimum non-cancellable lease obligations by $1.7 million through November 30, 2020.

On March 16, 2015, we entered into a new $12.5 million credit facility consisting of a $10.0 million term loan and a $2.5 million revolving line of credit with Wells Fargo Bank, N.A., with a maturity date of March 16, 2020. The credit facility allows for borrowings at LIBOR Rate plus the LIBOR Rate Margin, and otherwise, at per annum rate equal to the Base Rate plus the Base Rate Margin (as those terms are defined in the credit agreement). On March 16, 2015, we borrowed $10.0 million under this credit facility.

On April 1, 2015, we completed the acquisition of all of the membership interests of RentLinx, LLC, a San Diego, California-based company focused on a software platform that allows customers to advertise rental houses and apartments online. We paid the sellers $4.0 million, of which $0.5 million was placed into escrow to cover potential indemnification claims relating to breaches of representations, warranties and covenants. Given the timing of the completion of the acquisition, we are in the process of determining the fair value of the assets acquired and liabilities assumed necessary to allocate the purchase price. Therefore, the disclosure of the purchase price allocation is not practicable. We also agreed to pay an additional amount of approximately $1.0 million to certain individuals subject to their continued employment with us, which we will record as an expense over the service period.

APPFOLIO, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in thousands, except par values)

	December 31, 2014	March 31, 2015	Pro Forma March 31, 2015
Assets			
Current assets			
Cash and cash equivalents	$ 5,412	$ 12,034	$ 12,034
Accounts receivable, net	1,191	1,856	1,856
Prepaid expenses and other current assets	1,204	1,752	1,752
Total current assets	7,807	15,642	15,642
Property and equipment, net	2,623	3,340	3,340
Capitalized software, net	5,509	6,223	6,223
Goodwill	4,998	4,998	4,998
Intangible assets, net	3,615	3,402	3,402
Other assets	882	2,409	2,409
Total assets	$ 25,434	$ 36,014	$ 36,014
Liabilities, Convertible Preferred Stock and Stockholders' (Deficit) Equity			
Current liabilities			
Accounts payable	$ 2,088	$ 2,760	$ 2,760
Accrued employee expenses	3,150	4,165	4,165
Accrued expenses	1,721	3,898	3,898
Deferred revenue	3,772	4,235	4,235
Long-term debt—current portion, net	—	126	126
Other current liabilities	2,797	2,797	2,797
Total current liabilities	13,528	17,981	17,981
Long term-debt, net	—	9,438	9,438
Deferred revenue	8	—	—
Other liabilities	199	282	282
Total liabilities	13,735	27,701	27,701
Commitments and contingencies (Note 7)			
Convertible preferred stock, Series A, B, B-1, B-2 and B-3, $0.0001 par value, 68,027 shares authorized, issued and outstanding as of December 31, 2014 and March 31, 2015. Liquidation preference of $62,020 as of December 31, 2014 and March 31, 2015. No shares issued and outstanding pro forma	63,166	63,166	—
Stockholders' (deficit) equity:			
Common stock, $0.0001 par value, 123,000 shares authorized as of December 31, 2014 and March 31, 2015; 9,042 and 9,117 shares issued and outstanding as of December 31, 2014 and March 31, 2015, respectively; 26,124 shares issued and outstanding pro forma	1	1	2
Additional paid-in capital	1,546	1,778	64,943
Accumulated deficit	(53,014)	(56,632)	(56,632)
Total stockholders' (deficit) equity	(51,467)	(54,853)	8,313
Total liabilities, convertible preferred stock and stockholders' (deficit) equity	$ 25,434	$ 36,014	$ 36,014

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

APPFOLIO, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(in thousands, except per share amounts)

	Three Months Ended March 31,	
	2014	2015
Revenue	$ 9,834	$ 15,848
Costs and operating expenses:		
Cost of revenue (exclusive of depreciation and amortization)	4,686	7,065
Sales and marketing	3,490	5,709
Research and product development	1,145	2,009
General and administrative	899	3,392
Depreciation and amortization	817	1,183
Total costs and operating expenses	11,037	19,358
Operating loss	(1,203)	(3,510)
Other expense, net	(68)	(2)
Interest income (expense), net	26	(32)
Loss before provision for income taxes	(1,245)	(3,544)
Provision for income taxes	—	74
Net loss	$ (1,245)	$ (3,618)
Net loss per share, basic and diluted	$ (0.14)	$ (0.41)
Weighted average common shares outstanding, basic and diluted	8,603	8,913
Pro forma net loss per share, basic and diluted		$ (0.14)
Pro forma weighted average common shares outstanding, basic and diluted		25,920

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

APPFOLIO, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)

	Three Months Ended March 31,	
	2014	2015
Cash from operating activities		
Net loss	$ (1,245)	$ (3,618)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	817	1,183
Amortization of deferred financing costs	—	5
Loss on disposal of property and equipment	53	7
Stock-based compensation	49	133
Change in fair value of contingent consideration	(169)	—
Loss on equity-method investment	16	—
Changes in operating assets and liabilities:		
Accounts receivable	(474)	(665)
Prepaid expenses and other current assets	(340)	(526)
Other assets	22	(44)
Accounts payable	615	209
Accrued employee expenses	447	901
Accrued expenses	333	800
Deferred revenue	480	455
Other liabilities	125	(51)
Net cash provided by (used in) operating activities	729	(1,211)
Cash from investing activities		
Purchases of property and equipment	(473)	(721)
Additions to capitalized software	(865)	(1,231)
Purchases of intangibles	(6)	(5)
Net cash used in investing activities	(1,344)	(1,957)
Cash from financing activities		
Proceeds from stock option exercises	66	68
Proceeds from issuance of restricted stock	—	141
Principal payments under capital lease obligations	(8)	(6)
Proceeds from issuance of debt	—	10,000
Payment of debt costs	—	(413)
Net cash provided by financing activities	58	9,790
Net cash (decrease) increase in cash and cash equivalents	(557)	6,622
Cash and cash equivalents		
Beginning of period	11,269	5,412
End of period	$ 10,712	$ 12,034
Noncash investing and financing activities		
Purchases of property and equipment included in accounts payable and accrued expenses	$ 310	$ 353
Additions of capitalized software included in accrued employee expenses	171	282
Stock-based compensation capitalized for software development	10	31
Debt issuance and other financing costs accrued, not paid	—	137
Deferred initial public offering costs included in other assets and accounts payable and accrued expenses	—	1,396

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

APPFOLIO, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS UNAUDITED

1. Nature of Business

AppFolio, Inc. ("we" or "AppFolio") provides industry-specific, cloud-based software solutions for small and medium-sized businesses ("SMBs") in the property management and legal industries. Our platform is designed to be the system of record to automate essential business processes and the system of engagement to enhance business interactions between our customers and their clients and vendors. Our mobile-optimized software solutions have a user-friendly interface across multiple devices, enabling our customers to work at any time and from anywhere. Our property management software provides small and medium-sized property managers with an end-to-end solution to their business needs, enabling them to manage properties quickly and easily in a single, integrated environment. Our legal software provides solo practitioners and small law firms with a streamlined practice and case management solution, allowing them to manage their practices and case load within a flexible system. We also offer optional, but often mission-critical, Value+ services, such as our professionally designed websites and electronic payment services, which are seamlessly built into our core solutions.

Reverse Stock Split

On June 4, 2015, we effected a one-for-four reverse split of our common stock and a proportional adjustment to the conversion ratio of our convertible preferred stock. The par value and the number of authorized shares of our common stock and convertible preferred stock were not adjusted as a result of the reverse split. All share, per share and related information presented in these consolidated financial statements and accompanying notes has been retroactively adjusted, where applicable, to reflect the impact of the reverse stock split, including an adjustment to the preferred stock conversion ratio.

2. Summary of Significant Accounting Policies

Basis of Presentation and Significant Accounting Policies

The accompanying condensed consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information. Certain information and disclosures normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted. Accordingly, these condensed consolidated financial statements should be read in conjunction with our consolidated financial statements and the related notes. The accompanying condensed consolidated balance sheet as of March 31, 2015, and the condensed consolidated statements of operations and of cash flows for the three months ended March 31, 2014 and 2015, are unaudited. Our unaudited interm condensed consolidated financial statements have been prepared on a basis consistent with that used to prepare our audited annual consolidated financial statements and include, in the opinion of management, all adjustments, consisting of normal and recurring items, necessary for the fair statement of the condensed consolidated financial statements. The operating results for the three months ended March 31, 2015 are not necessarily indicative of the results expected for the full year ending December 31, 2015.

There have been no significant changes in our accounting policies from those disclosed in our audited consolidated financial statements and the related notes.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during

the reporting period. Actual results could differ materially from those estimates. On an ongoing basis, management evaluates its estimates based on historical data and experience, as well as various other factors that management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources.

Unaudited Pro Forma Information

The unaudited pro forma balance sheet as of March 31, 2015 reflects the conversion of all of the outstanding shares of our convertible preferred stock into an aggregate of 17,006,679 shares of our common stock. Each share of convertible preferred stock will automatically convert into shares of our common stock at its then effective conversion rate prior to the completion of a public offering of our common stock for which aggregate gross proceeds to us are at least $40 million and at a price per share of at least $16.828, or upon a majority vote of all preferred stockholders voting as a single class on an as-converted basis.

Pro forma basic and diluted net loss per share for the three months ended March 31, 2015 reflect the conversion of our convertible preferred stock into our common stock, using the if-converted method, as of January 1, 2014.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Accounting Standard Codification ("ASC") 820, *Fair Value Measurements and Disclosures* ("ASC 820"), describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

- Level 1—Quoted prices in active markets for identical assets or liabilities or funds.
- Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table summarizes our financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2014 and March 31, 2015 by level within the fair value hierarchy. Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement (in thousands):

	December 31, 2014				March 31, 2015			
	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value
Cash equivalents	$3,696	$ —	$ —	$ 3,696	$ 997	$ —	$ —	$ 997
Total Assets	$3,696	$ —	$ —	$ 3,696	$ 997	$ —	$ —	$ 997
Contingent consideration	$ —	$ —	$2,429	$ 2,429	$ —	$ —	$2,429	$ 2,429
Total Liabilities	$ —	$ —	$2,429	$ 2,429	$ —	$ —	$2,429	$ 2,429

As of December 31, 2014 and March 31, 2015, cash equivalents consisted of cash invested in money market funds.

The contingent consideration is measured at fair value each period and is based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. The valuation of contingent consideration uses assumptions we believe would be made by a market participant. We assess these estimates on an on-going basis as additional data impacting the assumptions becomes available. Changes in the fair value of contingent consideration related to updated assumptions and estimates are recognized within general and administrative expense in the consolidated statements of operations. We determined the fair value of the contingent consideration using the probability weighted discounted cash flow method. The significant inputs used in the fair value measurement of contingent consideration are the probability of achieving revenue thresholds and determining discount rates.

The following table summarizes the changes in contingent consideration liability (in thousands):

	March 31,	
	2014	2015
Fair value, at beginning of period	$2,403	$2,429
Change in fair value recorded in general and administrative expenses	(169)	—
Fair value, at end of period	$2,234	$2,429

The contingent consideration liability is recorded in *other current liabilities* on the accompanying consolidated balance sheets as of December 31, 2014 and March 31, 2015. On May 6, 2015, we paid the final earn-out payment in the amount of $2.4 million.

There were no changes to our valuation techniques used to measure asset and liability fair values on a recurring basis during the three months ended March 31, 2015.

The carrying amounts of cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities approximate fair value because of the short maturity of these items. The carrying value of our SecureDocs' note receivable approximates its fair value based on a discounted cash flow analysis. The fair value of our long-term debt approximates its fair value as of March 31, 2015 based on rates available to us for debt with similar terms and maturities, and is a Level 2 measurement.

Certain assets, including goodwill and intangible assets, are also subject to measurement at fair value on a non-recurring basis if they are deemed to be impaired a result of an impairment review. For the three months ended March 31, 2015, no impairments were identified on those assets required to be measured at fair value on a non-recurring basis.

Net Loss per Share

The following table presents a reconciliation of our weighted average number of shares used to compute net loss per share (in thousands):

	Three Months Ended March 31,	
	2014	2015
Weighted average shares outstanding	8,915	9,080
Weighted average unvested restricted shares subject to repurchase	(312)	(167)
Weighted average number of shares used to compute basic and diluted net loss per share	8,603	8,913

Because we reported net losses for all periods presented, all potentially dilutive common stock are antidilutive for those periods.

The following table presents the number of anti-dilutive shares excluded from the calculation of diluted net loss per share as of March 31, 2014 and 2015 (in thousands):

	March 31,	
	2014	2015
Options to purchase common stock	719	1,320
Conversion of convertible preferred stock	17,007	17,007
Unvested restricted stock awards	303	166
Total shares excluded from net loss per share attributable to common stockholders	18,029	18,493

Unaudited Pro Forma Net Loss per Share

The following table sets forth the computation of our pro forma basic and diluted net loss per share for the three months ended March 31, 2015 (in thousands, except per share data):

Net loss	$ (3,618)
Weighted average number of shares used to compute net loss per share	8,913
Pro forma adjustment to reflect assumed conversion of convertible preferred stock to common stock	17,007
Weighted average number of shares used to compute pro forma basic and diluted net loss per share	25,920
Pro forma net loss per share attributable to common stockholders, basic and diluted	$ (0.14)

Comprehensive Loss

ASC 220, *Comprehensive Income*, establishes standards for the reporting and display of comprehensive loss and its components in the financial statements. As of March 31, 2014 and 2015, we had no other comprehensive income (loss) items; therefore, comprehensive loss equals net loss. Accordingly, we have not included a separate statement of comprehensive loss in the financial statements.

Recent Accounting Pronouncements

Under the Jumpstart our Business Startups Act (the "JOBS Act"), we meet the definition of an emerging growth company. We have irrevocably elected to opt out of the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act.

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. ASU 2014-09 is currently effective on January 1, 2017, although the FASB has proposed rules to defer its effectiveness until 2018. Early adoption is not permitted. The standard permits the use of either a retrospective or cumulative effect transition method. We have not determined which transition method we will adopt, nor have we determined the effect of this guidance on our financial condition, results of operations, cash flows or disclosures.

In April 2015, the FASB issued ASU No. 2015-03, *Interest— Imputation of Interest—Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"), which requires an entity to record debt issuance costs in the balance sheet as a direct deduction of a recognized debt liability. ASU 2015-03 is effective for accounting periods beginning after December 15, 2015; however, early adoption is permitted. During the three months ended

March 31, 2015, we elected to adopt this guidance. The impact of the early adoption of this guidance was to record $0.1 million of third-party debt financing costs related to borrowings under our credit facility in March 2015 as a reduction of our term loan from Wells Fargo Bank, N.A. (Note 6). The adoption of this guidance did not impact prior period financial statements as we had no debt outstanding.

In April 2015, the FASB issued ASU No. 2015-05, *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement* ("ASU 2015-05"), which provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. This guidance is effective for periods beginning after December 15, 2015; however, early adoption is permitted. An entity can elect to adopt this guidance either (i) prospectively to all arrangements entered into or materially modified after the effective date or (ii) retrospectively. We are evaluating the effect of the adoption of ASU 2015-05 on our consolidated financial statements.

3. Property and Equipment

Property and equipment consists of the following as of December 31, 2014 and March 31, 2015 (in thousands):

	December 31, 2014	March 31, 2015
Data center and computer equipment	$ 2,871	$ 3,430
Furniture and fixtures	1,158	1,374
Office equipment	215	368
Leasehold improvements	333	375
Construction in process	—	35
Gross property and equipment	4,577	5,582
Less: Accumulated depreciation	(1,954)	(2,242)
Total property and equipment, net	$ 2,623	$ 3,340

Depreciation expense on property and equipment totaled $0.2 million and $0.3 million for the three months ended March 31, 2014 and 2015, respectively.

As of December 31, 2014 and March 31, 2015, property and equipment included property and equipment under capital leases with a cost basis of $82,000. Accumulated depreciation on property and equipment under capital leases as of December 31, 2014 and March 31, 2015 was $21,000 and $27,000, respectively.

4. Internal-Use Software Development Costs

Internal-use software development costs were as follows (in thousands):

	December 31, 2014	March 31, 2015
Internal use software development costs, gross	$ 13,931	$ 15,306
Less: Accumulated amortization	(8,422)	(9,083)
Internal use software development costs, net	$ 5,509	$ 6,223

For the three months ended March 31, 2014 and 2015, $0.9 million and $1.5 million, respectively, of software development costs were capitalized. Amortization expense with respect to software development costs totaled $0.4 million and $0.7 million for the three months ended March 31, 2014 and 2015, respectively.

5. Intangible Assets

Intangible assets consisted of the following as of December 31, 2014 and March 31, 2015 (in thousands, except years):

	December 31, 2014			
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted Average Useful Life in Years
Customer relationships	$ 230	$ (104)	$ 126	5.0
Technology	4,000	(1,500)	2,500	6.0
Trademarks	800	(180)	620	10.0
Domain names	287	(161)	126	5.0
Patents	324	(81)	243	5.0
	$ 5,641	$ (2,026)	$ 3,615	6.4

	March 31, 2015			
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Weighted Average Useful Life in Years
Customer relationships	$ 230	$ (115)	$ 115	5.0
Technology	4,000	(1,667)	2,333	6.0
Trademarks	800	(200)	600	10.0
Domain names	287	(172)	115	5.0
Patents	329	(90)	239	5.0
	$ 5,646	$ (2,244)	$ 3,402	6.4

Amortization expense for the three months ended March 31, 2014 and 2015 was $0.2 million and $0.2 million, respectively.

6. Long-term Debt

The following is a summary of our long-term debt as of March 31, 2015 (in thousands):

Principal amounts due under term loan	$10,000
Less: Debt financing costs	(436)
Long-term debt, net of unamortized debt financing costs	9,564
Less: Current portion of long-term debt	(126)
Total long-term debt, net of current portion	$ 9,438

On March 16, 2015, we entered into a credit facility (the “Credit Facility”) comprised of a $10.0 million term loan (the “Term Loan”), and a $2.5 million revolving line of credit (the “Revolving Loan”) with Wells Fargo Bank, N.A.

Borrowings under the Credit Facility bear interest at a fluctuating rate per annum equal to, at our option, (i) a base rate equal to the highest of (a) the federal funds rate plus ½ of 1%, (b) the London Interbank Offered Rate ("LIBOR") for a one-month interest period plus 1% and (c) the rate of interest in effect for such day as publicly announced from time to time by Wells Fargo Bank, N.A. as its prime rate, in each case plus an applicable margin of 5%, or (ii) LIBOR for the applicable interest period plus an applicable margin of 6%. The applicable margin is subject to step-downs upon achievement of certain senior leverage ratios. Interest is due and payable monthly.

We are required to prepay amounts borrowed annually with 50% of any excess cash flow (as defined in the Credit Facility) we generate or from time to time upon specific events, including the non-ordinary course disposition of assets, the receipt of extraordinary receipts (as defined in the Credit Facility), the incurrence of indebtedness not otherwise permitted to be incurred, or the receipt of common or preferred stock contributions solely if the issuance of such stock is to cure financial covenant breaches, if any.

The Credit Facility contains customary negative covenants, including restrictions on our and our subsidiaries' ability to merge and consolidate with other companies, incur indebtedness, grant liens or security interests on assets, make acquisitions, loans, advances or investments, pay dividends, sell or otherwise transfer assets, or enter into transactions with affiliates. Borrowings under the Credit Facility are secured by substantially all of our assets.

The Credit Facility currently requires us to comply with a consolidated minimum EBITDA covenant and a minimum liquidity covenant. Commencing on the later of April 1, 2016 or the first day of the month following the date we have achieved trailing 12-month EBITDA of at least $3.0 million, we will be required, in lieu of the foregoing financial covenants, to comply with a fixed charge coverage ratio and a consolidated senior leverage ratio. We were in compliance with the financial covenants as of March 31, 2015.

In the event we prepay amounts borrowed under the Credit Facility prior to March 2016, we are required to pay Wells Fargo Bank N.A. a prepayment premium of 3% (or 2% if prepayment is made with the proceeds from a qualifying initial public offering) of the amounts prepaid. The prepayment premium reduces to 2% in the event we prepay amounts between March 2016 and March 2017 and to 1% for prepayments between March 2017 and March 2018. Thereafter, there is no prepayment premium.

Term Loan

On March 16, 2015, we borrowed $10.0 million under the Term Loan. Principal on the Term Loan is payable in escalating monthly installments of $20,833 per month from May 1, 2015 to April 1, 2016, $62,500 per month from May 1, 2016 to April 1, 2017, and $83,333 per month from May 1, 2017 through the maturity date of March 16, 2020, with the balance due on the maturity date. The interest rate on the Term Loan was 8.25% as of March 31, 2015.

Scheduled principal payments for the Term Loan as of March 31, 2015 are as follows (in thousands):

Years Ending December 31,	
2015	$ 167
2016	583
2017	917
2018	1,000
2019	1,000
Thereafter	6,333
Total principal payments	$10,000

Revolving Loan

As of March 31, 2015, no amounts were outstanding under the Revolving Loan. We are required to pay an annual fee of ½ of 1% of the unused portion of the Revolving Loan. In addition, the Revolving Loan provides for the issuance of letters of credit equal to $0.3 million, subject to customary terms and fees.

Debt Financing Costs

Debt financing costs are deferred and amortized, using the effective interest method for costs related to the Term Loan and the straight-line method for costs related to the Revolving Loan. We incurred fees to Wells Fargo Bank, N.A. attributable to the Term Loan of $0.3 million and other third-party debt financing costs of $0.1 million, which have been recorded as a reduction of the carrying amount of the Term Loan. Amortization of such costs is included in interest expense. If the Term Loan is repaid prior to the maturity date, the unamortized debt financing costs will be expensed.

7. Commitments and Contingencies

Lease Obligations

As of March 31, 2015, we had operating lease obligations of approximately $4.5 million through 2020. We recorded rent expense of $0.2 million and $0.3 million for the three months ended March 31, 2014 and 2015, respectively.

Contingent Consideration Liability

In October 2012, we acquired all of the outstanding shares of MyCase, Inc., a company that developed a practice and case management software solution for the legal market. The purchase price included cash paid at closing and contingent consideration comprised of potential earn-out payments based upon the operations meeting certain revenue targets during the 30 months following the acquisition date. The fair value of the contingent consideration liability was $2.4 million as of December 31, 2014 and March 31, 2015. The contingent consideration liability is included in *other current liabilities* in the consolidated balance sheets as of December 31, 2014 and March 31, 2015, respectively.

Insurance

We have a wholly owned subsidiary, Terra Mar Insurance Company, Inc. (“Terra Mar”), which was established to provide our customers with the option to purchase tenant liability insurance. If our customers choose to use our insurance services, they are issued an insurance policy underwritten by our third-party service provider. The policy has a limit of $100,000 per incident for each insured residence. We have entered into a reinsurance agreement with our third-party service provider and, as a result, we assume a 100% quota share of the tenant liability insurance provided to our customers through our third-party service provider. We accrue in cost of revenue losses reported and an estimate of losses incurred but not reported by our property manager customers, as we bear the risk related to claims. Our liability for reported and incurred but not reported claims as of December 31, 2014 and March 31, 2015 was $0.3 and $0.2 million, respectively, and is included in *other current liabilities* in the consolidated balance sheets.

Included in *other current assets* as of December 31, 2014 and March 31, 2015 are $0.6 million and $0.7 million, respectively, of deposits held with a third party related to requirements to maintain collateral for our insurance services.

Litigation

From time to time, we may become subject to legal proceedings, claims and litigation arising in the ordinary course of business. We are not currently a party to any legal proceedings, nor are we aware of any pending or threatened litigation, that would have a material adverse effect on our business, operating results, cash flows or financial condition should such litigation be resolved unfavorably.

In December 2014, we provided notice to a third-party service provider to terminate our agreement so we could transition services to a new third-party partner. In February 2015, the third-party service provider filed an injunction preventing us from transferring the service to the new third-party partner. No monetary claims were made and, at the time of issuance of our December 31, 2014 consolidated financial statements, we determined a material loss was neither probable nor estimable and an estimate of a range of loss could not reliably be made. In May 2015, primarily to expedite the transition of services to the new third-party partner, we agreed to pay the third-party service provider $0.6 million, which we recorded in general and administrative expenses for the three months ended March 31, 2015.

Indemnification

In the ordinary course of business, we may provide indemnification of varying scope and terms to customers, investors, directors and officers with respect to certain matters, including, but not limited to, losses arising out of our breach of such agreements, services to be provided by us, or from intellectual property infringement claims made by third parties. These indemnification provisions may survive termination of the underlying agreement and the maximum potential amount of future payments we could be required to make under these indemnification provisions may not be subject to maximum loss clauses. The maximum potential amount of future payments we could be required to make under these indemnification provisions is indeterminable. We have never paid a material claim, nor have we been sued in connection with these indemnification arrangements. As of December 31, 2014 and March 31, 2015, we had not accrued a liability for these indemnification arrangements because the likelihood of incurring a payment obligation, if any, in connection with these indemnification arrangements is not probable or reasonably estimable.

8. Convertible Preferred Stock and Stockholders' Deficit

As of December 31, 2014 and March 31, 2015, we were authorized to issue two classes of shares designated common stock and preferred stock. The total number of shares that we have authority to issue is 191,026,659, of which 123,000,000 shares are designated as common stock with a par value of $0.0001 per share, and 68,026,659 shares are designated as preferred stock with a par value of $0.0001 per share.

During the three months ended March 31, 2015, the change in additional paid-in capital resulted from stock-based compensation of approximately $0.2 million and proceeds from the exercise of stock options of $68,000. During the three months ended March 31, 2015, there was no change in the number of shares or the rights and preferences of our convertible preferred stock.

Deferred Offering Costs

We defer certain legal, accounting and other third-party fees that are directly associated with in-process equity financings as *other assets* until such financing is consummated. After consummation of the financing, these costs are recorded in stockholders' (deficit) equity as a reduction of additional paid-in capital generated as a result of the offering.

During the three months ended March 31, 2015, we recorded $1.4 million of deferred offering costs in *other assets* related to the proposed initial public offering of our common stock. In the event that our initial public offering is no longer considered probable of being consummated, the deferred offering costs will be expensed immediately as a charge to operating expenses in the consolidated statements of operations.

9. Stock-Based Compensation

Stock Options

A summary of our stock option activity under the 2007 Stock Incentive Plan (the "Plan") for the three months ended March 31, 2015 is as follows (number of shares in thousands):

	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Life in Years
Options outstanding as of December 31, 2014	1,217	$ 3.12	8.2
Options granted	171	5.64	
Options exercised	(50)	1.36	
Options cancelled/forfeited	(18)	3.52	
Options outstanding as of March 31, 2015	1,320	$ 3.51	8.4

The fair value of stock options granted is estimated on the date of grant using the Black-Scholes option-pricing model. The following table summarizes information relating to our stock options granted in the three months ended March 31, 2014 and 2015:

	Three Months Ended March 31,	
	2014	2015
Stock options granted (in thousands)	77	171
Weighted average exercise price per share	$ 3.28	$ 5.64
Weighted average Black-Scholes model assumptions:		
Risk-free interest rate	1.86%	1.39%
Expected term (in years)	6.0	6.4
Expected volatility	49%	48%
Expected dividend yield	—	—

As of March 31, 2015, total remaining stock-based compensation expense for unvested stock options was $1.6 million, which is expected to be recognized over a weighted average period of 3.9 years.

The weighted-average grant-date fair value per share of options granted for the three months ended March 31, 2014 and 2015 was $1.60 and $7.32, respectively. We recorded stock-based compensation expense for stock option awards of $26,000 and $0.1 million for the three months ended March 31, 2014 and 2015, respectively.

The table below sets forth information regarding stock options granted from January 1, 2015 to March 31, 2015 (number of shares in thousands):

Grant Date	Number of Shares	Exercise Price per Share at Grant Date	Estimated per Share Fair Value of Common Stock at Grant Date	Intrinsic Value per Share at Grant Date
February 1, 2015	171	$ 5.64	$ 11.20	$ 5.56

Subsequent to the original grant date, and in light of the proximity of this grant to our initial public offering, our board of directors reassessed the fair value of our common stock from $5.64 to $11.20 per share.

Restricted Stock

Activity in connection with our restricted stock was as follows for the three months ended March 31, 2015 (number of shares in thousands):

	Number of Shares	Weighted-Average Grant Date Fair Value per Share
Unvested as of December 31, 2014	173	$ 1.64
Granted	25	5.56
Vested	(32)	1.48
Forfeited	—	—
Unvested as of March 31, 2015	166	2.26

The restricted stock granted during the three months ended March 31, 2015 was purchased by an employee for $5.64 per share. The difference between the reassessed fair value of the underlying common stock of $11.20 per share and the purchase price of $5.64 per share will be recognized as compensation expense over the four-year vesting term.

The restricted stock awards vest over a four-year period. For the three months ended March 31, 2014 and 2015, we recognized stock-based compensation expense for restricted stock awards of $34,000 and $63,000, respectively.

As of March 31, 2015, total remaining stock-based compensation expense for unvested restricted stock was $0.4 million, which is expected to be recognized over a weighted average period of 2.4 years.

10. Income Taxes

Our effective tax rate differs from the U.S. Federal statutory rate of 34% primarily because our losses have been offset by a valuation allowance due to uncertainty as to the realization of those losses.

For the three months ended March 31, 2015, we recorded income tax expense of $0.1 million on pre-tax losses of $3.5 million for an effective tax rate of (2.1)%. The income tax expense is based on the statutory rate applied to actual year-to-date earnings of our subsidiary, Terra Mar. Terra Mar is not part of our U.S. tax consolidated group and, as such, the losses of the U.S. consolidated group are not available to offset the taxable income of Terra Mar.

11. Revenue and Other Information

Our chief operating decision maker reviews separate revenue information for our core solutions, Value+ and other service offerings as a measure of growth in the number of our customers and growth in the adoption and utilization of our core solutions and Value+ services by new and existing customers. The following table presents our revenue categories for the three months ended March 31, 2014 and 2015 (in thousands):

	Three Months Ended March 31,	
	2014	2015
Core solutions	$4,817	$ 7,134
Value+ services	4,369	7,703
Other	648	1,011
Total revenues	$9,834	$15,848

Value+ services presented in the table above include subscriptions to website hosting services and contact center services. Other services included above are for one-time services related to on-boarding our core solutions as well as website design services.

Our revenue is generated primarily from U.S. customers. All of our property and equipment is located in the United States.

12. Subsequent Events

We evaluated subsequent events through May 18, 2015, the date of issuance of these condensed consolidated financial statements. We also evaluated subsequent events through June 4, 2015 for the effects of the reverse stock split described in Note 1.

On April 1, 2015, we completed the acquisition of all of the membership interests of RentLinx, LLC ("RentLinx"), a San Diego, California-based company focused on a software platform that allows customers to advertise rental houses and apartments online. We paid the sellers $4.0 million, of which $0.5 million was placed into escrow to cover potential indemnification claims relating to breaches of representations, warranties and covenants. We also agreed to pay an additional amount of approximately $1.0 million to certain individuals subject to their continued employment with us, which we will record as an expense over the service period.

We acquired RentLinx to expand the Value+ services offered to our property manager customers, giving them the ability to better spend, track and optimize their marketing investments. The goodwill related to our RentLinx acquisition is attributable to synergies expected from the acquisition and assembled workforce. The goodwill is deductible for income tax purposes.

The following table summarizes the preliminary purchase price allocation (in thousands).

Net current assets	$ 77
Customer and website relationships	1,240
Developed technology	810
Other intangible assets	170
Goodwill	1,730
Purchase consideration, paid in cash	$4,027

The purchase price allocation is preliminary and subject to change pending the completion of the valuation of intangible assets. It is not practicable to disclose pro forma results as if the acquisition occurred on January 1, 2014 until we finalize the purchase price allocation and the estimated useful lives of intangible assets acquired, and the resulting impact on amortization of intangible assets.

On May 6, 2015, we paid the final earn-out payment relating to the acquisition of MyCase, Inc. of $2.4 million. On May 26, 2015, we received a letter from counsel for a former shareholder of MyCase, Inc. alleging that we failed to make commercially reasonable efforts to cause the maximum earn-out of $6.6 million to be earned. This amount represents the maximum earn-out that could potentially have been earned by all former MyCase shareholders. The former shareholder also stated that he intends to pursue punitive damages. We believe the allegations are without merit and we plan to vigorously defend against them. As such, no additional amounts have been accrued for this potential loss contingency.

Table of Contents

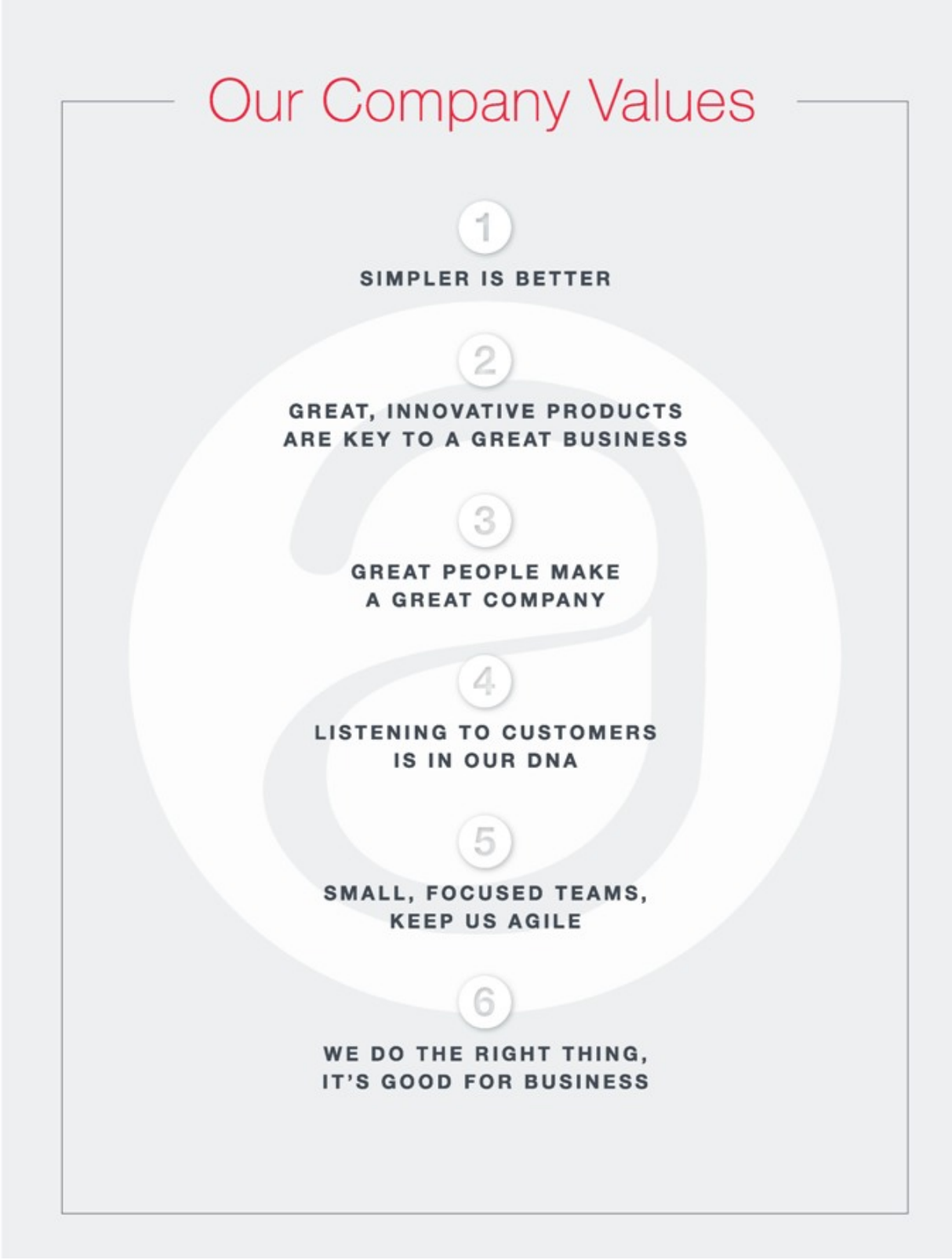


Table of Contents

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth an itemization of the various costs and expenses, other than the underwriting discounts and commissions, payable by us in connection with the offer, sale, issuance and distribution of the shares of our Class A common stock being registered hereunder. All of the amounts shown are estimated except the SEC registration fee, the FINRA filing fee and the NASDAQ listing fee.

	Amount to be Paid
SEC registration fee	$ 11,620
FINRA filing fee	15,500
NASDAQ listing fee	125,000
Accounting fees and expenses	*
Legal fees and expenses	*
Blue sky fees and expenses	*
Printing and engraving expenses	*
Transfer agent and registrar fees	*
Miscellaneous expenses	*
Total	$ *

* To be furnished by amendment.

Item 14. Indemnification of Directors and Officers.

We are incorporated under the laws of the State of Delaware. Section 145 of the DGCL provides that a Delaware corporation may indemnify any persons who are, or are threatened to be made, parties to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person is or was an officer, director, employee or agent of such corporation, or is or was serving at the request of such corporation as an officer, director, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided that such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation's best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was illegal. Section 145 of the DGCL further authorizes a corporation to purchase and maintain insurance on behalf of any indemnified person against any liability asserted against and incurred by such person in any indemnified capacity, or arising out of such person's status as such, regardless of whether the corporation would otherwise have the power to indemnify such person under the DGCL.

Section 102(b)(7) of the DGCL permits a corporation to provide in its certificate of incorporation that a director of the corporation will not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duties as a director, except for liability for any:

- breach of a director's duty of loyalty to the corporation or its stockholders;
- act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payment of dividends or redemption of shares; or
- transaction from which the director derives an improper personal benefit.

Our amended and restated certificate of incorporation to be in effect prior to the completion of this offering will authorize us to, and our amended and restated bylaws to be in effect prior to the completion of this offering will provide that we must, indemnify our directors and officers to the fullest extent authorized by the DGCL and also pay expenses incurred in defending any such proceeding in advance of its final disposition upon delivery of an undertaking, by or on behalf of an indemnified person, to repay all amounts so advanced if it should be determined ultimately that such person is not entitled to be indemnified under the DGCL or otherwise.

As permitted by the DGCL, we have entered into indemnification agreements with each of our directors and executive officers. These agreements require us to indemnify these individuals to the fullest extent permitted under Delaware law against liabilities that may arise by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified.

We have an insurance policy covering our directors and executive officers with respect to certain liabilities, including liabilities arising under the Securities Act and otherwise.

The underwriting agreement to be filed as Exhibit 1.1 to this registration statement provides for indemnification by the underwriters of the registrant and its officers and directors for certain liabilities arising under the Securities Act and otherwise.

Item 15. Recent Sales of Unregistered Securities.

Since April 1, 2012, we have sold the following securities that were not registered under the Securities Act (the information below includes the effects of a one-for-four reverse split of our common stock effected on June 4, 2015):

- On September 11, 2012, we issued an aggregate of 7,127,533 shares of our Series B-2 convertible preferred stock to eight accredited investors at a price per share of $1.40301 for an aggregate purchase price of $10 million. Each share of preferred stock converts into one fourth of a share of common stock.
- On November 26, 2013, we issued an aggregate of 6,077,119 shares of our Series B-3 convertible preferred stock to five accredited investors at a price per share of $1.97462 for an aggregate purchase price of $12 million. Each share of preferred stock converts into one fourth of a share of common stock.
- We granted to our directors, officers, employees, consultants and other service providers, under the 2007 Plan, options to purchase an aggregate of 1,060,643 shares of our common stock at an exercise price per share ranging from $1.36 to $5.64.
- We issued to our directors, officers, employees, consultants and other service providers, under the 2007 Plan, an aggregate of 299,250 shares of our common stock at a purchase price per share ranging from $1.36 to $5.64.

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions, or any public offering. These issuances were deemed to be exempt from registration under the Securities Act in reliance on Section 4(2) or Section 3(b) of the Securities Act, as transactions by an issuer not involving a public offering or transactions pursuant to compensatory benefit plans and contracts relating to compensation as provided under Rule 701. The purchasers of securities in each such transaction represented their intention to acquire the securities for investment only and not with a view to offer or sell, in connection with any distribution of the securities, and appropriate legends were affixed to the share certificates and instruments issued in such transactions. All recipients had adequate access, through their relationships with us, to information about us. The sales of these securities were made without any general solicitation or advertising.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits

See the Exhibit Index on the page immediately preceding the exhibits for a list of exhibits filed as part of this registration statement, which Exhibit Index is incorporated herein by reference.

(b) Financial Statement Schedules

No financial statement schedules are provided because the information called for is not required or is shown either in the registrant's consolidated financial statements or the related notes thereto.

Item 17. Undertakings.

The registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit, or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Amendment No. 1 to be signed on its behalf by the undersigned, thereunto duly authorized in Santa Barbara, California on June 4, 2015.

APPFOLIO, INC.

By: /s/ Brian Donahoo
Brian Donahoo
President, Chief Executive Officer and Director

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ Brian Donahoo Brian Donahoo	President, Chief Executive Officer and Director (Principal Executive Officer)	June 4, 2015
/s/ Ida Kane Ida Kane	Chief Financial Officer (Principal Financial and Accounting Officer)	June 4, 2015
* Andreas von Blottnitz	Chairman of the Board	June 4, 2015
* Timothy Bliss	Director	June 4, 2015
* Klaus Schauser	Chief Strategist and Director	June 4, 2015

* By: /s/ Brian Donahoo
Brian Donahoo
Attorney-in-Fact

Table of Contents

INDEX OF EXHIBITS

Exhibit Number	Description of Document
1.1	Form of Underwriting Agreement.
3.1	Amended and Restated Certificate of Incorporation of the registrant, as currently in effect.
3.2	Certificate of Amendment to Amended and Restated Certificate of Incorporation of the registrant (amending the number of authorized shares).
3.3	Certificate of Amendment to Amended and Restated Certificate of Incorporation of the registrant (effecting the reverse stock split).
3.4	Bylaws of the registrant, as currently in effect.
3.5	Form of Amended and Restated Certificate of Incorporation of the registrant (to be effective prior to the completion of this offering).
3.6	Form of Amended and Restated Bylaws of the registrant (to be effective prior to the completion of this offering).
4.1	Specimen Certificate for Class A Common Stock.
4.2	Amended and Restated Investor Rights Agreement, by and among the registrant and the investors name therein, dated November 26, 2013.
**5.1	Opinion of Stradling Yocca Carlson & Rauth, P.C.
10.1	Multi-Tenant Industrial Lease, by and between the registrant and Nassau Land Company, L.P., dated April 1, 2011, as amended.
10.2	Multi-Tenant Industrial Lease, by and between the registrant and Nassau Land Company, L.P., dated February 17, 2015.
10.3#	2007 Stock Incentive Plan, as amended, and related form agreements.
10.4#	2015 Stock Incentive Plan and related form agreements.
10.5#	2015 Employee Stock Purchase Plan.
*10.6	Form of Indemnification Agreement by and between the registrant and each of its executive officers and directors.
*10.7	Credit Agreement, by and among the registrant, Wells Fargo Bank, N.A., as administrative agent, and the lenders that are parties thereto, dated as of March 16, 2015.
21.1	Subsidiaries of the registrant.
23.1	Consent of independent registered public accounting firm.
**23.2	Consent of Stradling Yocca Carlson & Rauth, P.C. (included in Exhibit 5.1).
*24.1	Power of Attorney (included in signature page).
*99.1	Consent of Janet Kerr, director nominee.
*99.2	Consent of James Peters, director nominee.
*99.3	Consent of William Rauth, director nominee.

* Previously filed.
** To be filed by amendment.
# Management contract or compensatory plan or arrangement.

Exhibit 1.1

[—] Shares

APPFOLIO, INC.

CLASS A COMMON STOCK

PAR VALUE $0.0001 PER SHARE

UNDERWRITING AGREEMENT

[—], 2015

[●], 2015

Morgan Stanley & Co. LLC
Credit Suisse Securities (USA) LLC

c/o Morgan Stanley & Co. LLC
1585 Broadway
New York, New York 10036

c/o Credit Suisse Securities (USA) LLC
Eleven Madison Avenue
New York, New York 10010

Ladies and Gentlemen:

AppFolio, Inc., a Delaware corporation (the "**Company**"), proposes to issue and sell to the several Underwriters named in Schedule I hereto (the "**Underwriters**"), for whom Morgan Stanley & Co. LLC and Credit Suisse Securities (USA) LLC (together, the "**Representatives**") are acting as Representatives, an aggregate of [●] shares of the Class A common stock, par value $0.0001 per share, of the Company (the "**Firm Shares**").

The Company also proposes to issue and sell to the several Underwriters not more than an additional [●] shares of its Class A common stock, par value $0.0001 per share (the "**Additional Shares**"), if and to the extent that the Representatives shall have determined to exercise, on behalf of the Underwriters, the right to purchase such shares of common stock granted to the Underwriters in Section 2 hereof. The Firm Shares and the Additional Shares are hereinafter collectively referred to as the "**Shares.**" The shares of Class A common stock, par value $0.0001 per share, of the Company to be outstanding after giving effect to the sales contemplated hereby are hereinafter referred to as the "**Class A Common Stock.**" The shares of Class B common stock, par value $0.0001 per share, of the Company are hereinafter referred to as the "**Class B Common Stock.**" The Class A Common Stock and Class B Common Stock are hereinafter sometimes collectively referred to as the "**Common Stock.**"

The Company has filed with the Securities and Exchange Commission (the "**Commission**") a registration statement, including a prospectus, relating to the Shares. The registration statement as amended at the time it becomes effective, including the information (if any) deemed to be part of the registration statement at the time of effectiveness pursuant to Rule 430A under the Securities Act of 1933, as amended (the "**Securities Act**"), is hereinafter referred to as the "**Registration Statement**"; the prospectus in the form first used to confirm sales of Shares (or in the form first made available to the Underwriters by the Company to meet requests of purchasers pursuant to Rule 173 under the Securities Act) is hereinafter referred to as the "**Prospectus**." If the

Company has filed an abbreviated registration statement to register additional shares of Class A Common Stock pursuant to Rule 462(b) under the Securities Act (the "**Rule 462 Registration Statement**"), then any reference herein to the term "**Registration Statement**" shall be deemed to include such Rule 462 Registration Statement.

For purposes of this Agreement, "**free writing prospectus**" has the meaning set forth in Rule 405 under the Securities Act, "**Time of Sale Prospectus**" means the preliminary prospectus together with the documents and pricing information set forth in Schedule II hereto, and "**broadly available road show**" means a "bona fide electronic road show" as defined in Rule 433(h)(5) under the Securities Act that has been made available without restriction to any person. As used herein, the terms "Registration Statement," "preliminary prospectus," "Time of Sale Prospectus" and "Prospectus" shall include the documents, if any, incorporated by reference therein.

Morgan Stanley & Co. LLC ("**Morgan Stanley**") has agreed to reserve a portion of the Shares to be purchased by it under this Agreement for sale to the Company's directors, officers, employees and business associates and other parties related to the Company (collectively, "**Participants**"), as set forth in the Prospectus under the heading "Underwriters" (the "**Directed Share Program**"). The Shares to be sold by Morgan Stanley and its affiliates pursuant to the Directed Share Program are referred to hereinafter as the "**Directed Shares**". Any Directed Shares not orally confirmed for purchase by any Participant by the end of the business day on which this Agreement is executed will be offered to the public by the Underwriters as set forth in the Prospectus.

1. *Representations and Warranties of the Company*. The Company represents and warrants to and agrees with each of the Underwriters that:

(a) The Registration Statement has become effective; no stop order suspending the effectiveness of the Registration Statement is in effect, and no proceedings for such purpose are pending before or, to the Company's knowledge, threatened by the Commission.

(b) (i) The Registration Statement, when it became effective, did not contain and, as amended or supplemented, if applicable, will not contain, as of the date of such amendment or supplement, any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Registration Statement and the Prospectus comply and, as amended or supplemented, if applicable, will comply in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder, (iii) the Time of Sale Prospectus does not, and at the time of each sale of the Shares in connection with the offering when the Prospectus is not yet available to prospective purchasers and at the Closing Date (as defined in Section 4), the Time of Sale Prospectus, as then amended or supplemented by the Company, if applicable, will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, (iv) each broadly available road show, if any, when

considered together with the Time of Sale Prospectus, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and (v) the Prospectus, as of its date, does not contain and, as amended or supplemented, if applicable, will not contain as of the date of such amendment or supplement and as of the Closing Date and each Option Closing Date (as defined in Section 2) any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph do not apply to statements or omissions in the Registration Statement, the Time of Sale Prospectus or the Prospectus based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Representatives expressly for use therein.

(c) The Company is not an "ineligible issuer" in connection with the offering pursuant to Rules 164, 405 and 433 under the Securities Act. Any free writing prospectus that the Company is required to file pursuant to Rule 433(d) under the Securities Act has been, or will be, filed with the Commission in accordance with the requirements of the Securities Act and the applicable rules and regulations of the Commission thereunder. Each free writing prospectus that the Company has filed, or is required to file, pursuant to Rule 433(d) under the Securities Act or that was prepared by or on behalf of or used or referred to by the Company complies or will comply in all material respects with the requirements of the Securities Act and the applicable rules and regulations of the Commission thereunder. Except for the free writing prospectuses, if any, identified in Schedule II hereto, and electronic road shows, if any, each furnished to you before first use, the Company has not prepared, used or referred to, and will not, without your prior consent, prepare, use or refer to, any free writing prospectus.

(d) PricewaterhouseCoopers LLP ("**PWC**"), who have certified certain financial statements of the Company, are independent public accountants as required by the Act and the rules and regulations of the Commission thereunder.

(e) The Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the State of Delaware, has the corporate power and authority to own its property and to conduct its business as described in the Time of Sale Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(f) Each subsidiary of the Company has been duly organized, is validly existing as a corporation or limited liability company, as the case may be, in good standing under the laws of the jurisdiction of its incorporation, has the

corporate or other organizational power and authority to own its property and to conduct its business as described in the Time of Sale Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not have a material adverse effect on the Company and its subsidiaries, taken as a whole; all of the issued shares of capital stock or other equity interests of each subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and are owned directly by the Company and, except for the security interests granted in the shares of capital stock of certain of the Company's subsidiaries pursuant to the terms of the Credit Agreement, dated March 16, 2015, by and among the Company, Wells Fargo Bank, N.A. and the lenders named therein, are free and clear of all liens, encumbrances, equities or claims.

(g) This Agreement has been duly authorized, executed and delivered by the Company.

(h) As of the Closing Date, the authorized capital stock of the Company will conform as to legal matters to the description thereof contained in each of the Time of Sale Prospectus and the Prospectus.

(i) The shares of Common Stock outstanding prior to the issuance of the Shares have been duly authorized and are validly issued, fully paid and non-assessable.

(j) The Shares have been duly authorized and, when issued, delivered and paid for in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable, and the issuance of such Shares will not be subject to any preemptive or similar rights.

(k) The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement will not contravene (i) any provision of applicable law, (ii) the certificate of incorporation or bylaws of the Company, (iii) any agreement or other instrument binding upon the Company or any of its subsidiaries that is material to the Company and its subsidiaries, taken as a whole, or (iv) any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any subsidiary, except, in the case of clauses (i), (iii) and (iv), for such contraventions that, individually or in the aggregate, would not have a material adverse effect on the Company and its subsidiaries, taken as a whole, or a material effect on the ability of the Company to perform its obligations under this Agreement or to consummate the transactions contemplated by the Time of Sale Prospectus. No consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement, except (i) such as has previously been obtained and (ii) such as may be required by the securities or Blue Sky laws of the various states or the rules and regulations of the Financial Industry Regulatory Authority, Inc. ("FINRA") in connection with the offer and sale of the Shares.

(l) There has not occurred any material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the Time of Sale Prospectus.

(m) There are no legal or governmental proceedings pending or, to the Company's knowledge, threatened to which the Company or any of its subsidiaries is a party or to which any of the properties of the Company or any of its subsidiaries is subject (i) other than proceedings accurately described in all material respects in the Time of Sale Prospectus and proceedings that would not have a material adverse effect on the Company and its subsidiaries, taken as a whole, or on the power or ability of the Company to perform its obligations under this Agreement or to consummate the transactions contemplated by the Time of Sale Prospectus or (ii) that are required to be described in the Registration Statement or the Prospectus and are not so described in all material respects; and there are no statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described in all material respects or filed as required.

(n) Each preliminary prospectus filed as part of the Registration Statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the Securities Act, complied when so filed in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder.

(o) The Company is not, and after giving effect to the offering and sale of the Shares and the application of the proceeds thereof as described in the Prospectus will not be, required to register as an "investment company" as such term is defined in the Investment Company Act of 1940, as amended.

(p) The Company and its subsidiaries (i) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants ("**Environmental Laws**"), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except where such noncompliance with Environmental Laws, failure to receive required permits, licenses or other approvals or failure to comply with the terms and conditions of such permits, licenses or approvals would not, singly or in the aggregate, reasonably be expected to have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(q) There are no costs or liabilities associated with Environmental Laws (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) which would, singly or in the aggregate, reasonably be expected to have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(r) There are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company or to require the Company to include such securities with the Shares registered pursuant to the Registration Statement, except as otherwise have been validly waived in connection with the issuance and sale of the Shares contemplated hereby.

(s) Neither the Company nor any of its subsidiaries or controlled affiliates, nor any director or officer, nor, to the Company's knowledge, any other employee, agent or representative of the Company or of any of its subsidiaries or controlled affiliates, has taken or will take any action in furtherance of an offer, payment, promise to pay, or authorization or approval of the payment or giving of money, property, gifts or anything else of value, directly or indirectly, to any "government official" (including any officer or employee of a government or government-owned or controlled entity or of a public international organization, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office) to influence official action or secure an improper advantage; and the Company and its subsidiaries and controlled affiliates have conducted their businesses in compliance with applicable anti-corruption laws, including the Foreign Corrupt Practices Act of 1977 and the Bribery Act 2010 of the United Kingdom, and have instituted and maintain and will continue to maintain policies and procedures designed to promote and achieve compliance with such laws.

(t) The operations of the Company and its subsidiaries are and have been conducted at all times in material compliance with all applicable financial recordkeeping and reporting requirements, including those of the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), and the applicable anti-money laundering statutes of jurisdictions where the Company and its subsidiaries conduct business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "**Anti-Money Laundering Laws**"), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Anti-Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

(u) (i) Neither the Company nor any of its subsidiaries, nor any director or officer thereof, nor, to the Company's knowledge, any other employee, agent, controlled affiliate or representative of the Company or any of its subsidiaries, is an individual or entity ("**Person**") that is, or is owned or controlled by a Person that is:

(A) the subject of any sanctions administered or enforced by the U.S. Department of Treasury's Office of Foreign Assets Control ("**OFAC**"), the United Nations Security Council ("**UNSC**"), the European Union ("**EU**"), Her Majesty's Treasury ("**HMT**"), or other relevant sanctions authority (collectively, "**Sanctions**"), nor

(B) located, organized or resident in a country or territory that is the subject of Sanctions (including, without limitation, Cuba, Iran, North Korea, Sudan and Syria).

(ii) Neither the Company nor any of its subsidiaries will, directly or indirectly, use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person:

(A) to fund or facilitate any activities or business of or with any Person or in any country or territory that, at the time of such funding or facilitation, is the subject of Sanctions; or

(B) in any other manner that will result in a violation of Sanctions by any Person (including any Person participating in the offering, whether as underwriter, advisor, investor or otherwise).

(iii) The Company and its subsidiaries have not, during the past five years, knowingly engaged in, are not now knowingly engaged in, and will not engage in, any dealings or transactions with any Person, or in any country or territory, that at the time of the dealing or transaction is or was the subject of Sanctions.

(v) Subsequent to the respective dates as of which information is given in each of the Registration Statement, the Time of Sale Prospectus and the Prospectus, (i) the Company and its subsidiaries have not incurred any material liability or obligation, direct or contingent, nor entered into any material transaction; (ii) the Company has not purchased any of its outstanding capital stock other than from its employees or other service providers in connection with the termination of their service, nor declared, paid or otherwise made any dividend or distribution of any kind on its capital stock other than ordinary and customary dividends; and (iii) there has not been any material change in the capital stock, short-term debt or long-term debt of the Company and its subsidiaries, except in each case as described in each of the Registration Statement, the Time of Sale Prospectus and the Prospectus, respectively.

(w) The Company and its subsidiaries do not own any real property. The Company and its subsidiaries have good and marketable title to all personal property owned by them which is material to the business of the Company and its subsidiaries, taken as a whole, in each case free and clear of all liens, encumbrances and defects except such as are described in the Time of Sale Prospectus or such as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and its subsidiaries; and any real property and buildings held under lease by the Company and its subsidiaries are held by them under valid, subsisting and, to the Company's knowledge, enforceable leases with such exceptions as are not material and do not materially interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries, in each case except as described in the Time of Sale Prospectus.

(x) The Company and its subsidiaries own or possess, or can acquire on commercially reasonable terms, all material patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names currently employed by them in connection with the business now operated by them, and neither the Company nor any of its subsidiaries has received any notice of infringement of or conflict with asserted rights of others with respect to any of the foregoing which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would reasonably be expected to have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(y) No material labor dispute with the employees of the Company or any of its subsidiaries exists, except as described in the Time of Sale Prospectus, or, to the knowledge of the Company, is imminent; and the Company is not aware of any existing, threatened or imminent labor disturbance by the employees of any of its principal suppliers, manufacturers or contractors that would reasonably be expected to have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(z) The Company and each of its subsidiaries, taken as a whole, are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are, in the Company's reasonable judgment, prudent and customary in the businesses in which they are engaged; neither the Company nor any of its subsidiaries has been refused any insurance coverage sought or applied for; and neither the Company nor any of its subsidiaries has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a material adverse effect on the Company and its subsidiaries, taken as a whole, except as described in the Time of Sale Prospectus.

(aa) The Company and its subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state or foreign regulatory authorities necessary to conduct their respective businesses, except where the failure to obtain such certificates, authorizations and permits would not, individually or in the aggregate, be reasonably likely to have a material adverse effect on the Company and its subsidiaries, taken as a whole, and neither the Company nor any of its subsidiaries has received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a material adverse effect on the Company and its subsidiaries, taken as a whole, except as described in the Time of Sale Prospectus.

(bb) The Company and each of its subsidiaries maintain a system of internal accounting controls designed to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with U.S. generally accepted accounting principles ("**U.S. GAAP**") and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Except as described in the Time of Sale Prospectus, since the end of the Company's most recent audited fiscal year, (i) the Company is not aware of any material weakness in the Company's internal control over financial reporting (whether or not remediated) and (ii) there has been no change in the Company's internal control over financial reporting that has materially and adversely affected, or is reasonably likely to materially and adversely affect, the Company's internal control over financial reporting (it being understood that this Section 1(bb) shall not require the Company to comply with Section 404 of the Sarbanes-Oxley Act of 2002 as of an earlier date than it would otherwise be required to so comply under applicable law).

(cc) Except as described in the Time of Sale Prospectus, the Company has not sold, issued or distributed any shares of Common Stock during the six-month period preceding the date hereof, including any sales pursuant to Rule 144A under, or Regulation D or S of, the Securities Act, other than shares issued pursuant to employee benefit plans, qualified stock option plans or other employee compensation plans or pursuant to outstanding options, rights or warrants.

(dd) The Registration Statement, the Prospectus, the Time of Sale Prospectus and any preliminary prospectus comply, and any amendments or supplements thereto will comply, with any applicable laws or regulations of foreign jurisdictions in which the Prospectus, the Time of Sale Prospectus or any preliminary prospectus, as amended or supplemented, if applicable, are distributed in connection with the Directed Share Program.

(ee) No consent, approval, authorization or order of, or qualification with, any governmental body or agency, other than those obtained, is required in connection with the offering of the Directed Shares in any jurisdiction where the Directed Shares are being offered.

(ff) The Company has not offered, or caused Morgan Stanley to offer, Shares to any person pursuant to the Directed Share Program with the specific intent to unlawfully influence (i) a customer or supplier of the Company to alter the customer's or supplier's level or type of business with the Company, or (ii) a trade journalist or publication to write or publish favorable information about the Company or its products.

(gg) The Company and each of its subsidiaries have filed all federal, state, local and foreign tax returns required to be filed through the date of this Agreement or have requested extensions thereof (except where the failure to file would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the Company and its subsidiaries, taken as a whole) and have paid all taxes required to be paid thereon (except for cases in which the failure to file or pay would not have a material adverse effect on the Company and its subsidiaries, taken as a whole, or, except as currently being contested in good faith and for which reserves required by U.S. GAAP have been created in the financial statements of the Company), and no tax deficiency has been determined adversely to the Company or any of its subsidiaries which has had (nor does the Company nor any of its subsidiaries have any notice or knowledge of any tax deficiency which could reasonably be expected to be determined adversely to the Company or its subsidiaries and which could reasonably be expected to have) a material adverse effect on the Company and its subsidiaries, taken as a whole.

(hh) The financial statements of the Company included in each of the Registration Statement, the Time of Sale Prospectus and the Prospectus present fairly in all material respects the consolidated financial position of the Company and its subsidiaries as of the dates indicated and the results of their operations and cash flows for the periods specified. Such financial statements have been prepared in conformity with U.S. GAAP applied on a consistent basis throughout the periods involved. The other financial information included in the Registration Statement, the Time of Sale Prospectus and the Prospectus has been derived from the accounting records of the Company and its subsidiaries and presents fairly in all material respects the information shown thereby.

(ii) From the time of initial confidential submission of the Registration Statement to the Commission (or, if earlier, the first date on which the Company engaged directly or through any person authorized to act on its behalf in any Testing-the-Waters Communication) through the date hereof, the Company has been and is an "emerging growth company," as defined in
Section 2(a) of the Securities Act (an "**Emerging Growth Company**"). "**Testing-the-Waters Communication**" means any oral or written communication with potential investors undertaken in reliance on Section 5(d) of the Securities Act.

(jj) The Company (i) has not alone engaged in any Testing-the-Waters Communication other than Testing-the-Waters Communications with the consent of the Representatives with entities that are qualified institutional buyers within the meaning of Rule 144A under the Securities Act or institutions that are accredited investors within the meaning of Rule 501 under the Securities Act and (ii) has not authorized anyone other than the Representatives to engage in Testing-the-Waters Communications. The Company reconfirms that the Representatives have been authorized to act on its behalf in undertaking Testing-the-Waters Communications. The Company has not distributed any Written Testing-the-Waters Communications other than those listed on Schedule III hereto. **"Written Testing-the-Waters Communication**" means any Testing-the-Waters Communication that is a written communication within the meaning of Rule 405 under the Securities Act.

(kk) As of the time of each sale of the Shares in connection with the offering when the Prospectus is not yet available to prospective purchasers, none of (A) the Time of Sale Prospectus, (B) any free writing prospectus, when considered together with the Time of Sale Prospectus, and (C) any individual Written Testing-the-Waters Communication, when considered together with the Time of Sale Prospectus, included, includes or will include an untrue statement of a material fact or omitted, omits or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(ll) The Company and each of its subsidiaries have complied, and are presently in compliance with, its privacy policies and third-party obligations (imposed by applicable law, contract or otherwise) regarding the collection, use, transfer, storage, protection, disposal and disclosure by the Company and its subsidiaries of personally identifiable information, except to the extent that the failure to do so would not reasonably be expected to have a material adverse effect on the Company and its subsidiaries, taken as a whole. The Company and its subsidiaries have taken commercially reasonable steps to protect the information technology systems and data used in connection with the operation of the Company and its subsidiaries, taken as a whole. The Company and its subsidiaries have used reasonable efforts to establish, and have established, commercially reasonable disaster recovery and security plans, procedures and facilities for the business. To the knowledge of the Company, there has been no material security breach or material attack or other compromise of or relating to the Company's information technology systems.

(mm) Nothing has come to the attention of the Company that has caused it to reasonably believe that the industry-related and market-related data included in the Registration Statement, the Prospectus, the Time of Sale Prospectus and any preliminary prospectus is not based on or derived from sources that are reliable and accurate in all material respects.

(nn) Neither the Company nor its subsidiaries is (i) in violation of its respective charter or bylaws (or equivalent organizational documents) or (ii) in default (or with the giving of notice or lapse of time would be in default) under any existing obligation, agreement, covenant or condition contained in any indenture, loan agreement, mortgage, lease or other agreement or instrument to which any of them is a party or by which any of them is bound or to which any of the properties of any of them is subject, except to the extent such defaults would not have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(oo) The Company has taken all necessary actions to ensure that it is in compliance with all provisions of the Sarbanes-Oxley Act, and all rules and regulations promulgated thereunder to the extent applicable to the Company on the date hereof.

2. *Agreements to Sell and Purchase.* The Company hereby agrees to sell to the several Underwriters, and each Underwriter, upon the basis of the representations and warranties herein contained, but subject to the conditions hereinafter stated, agrees, severally and not jointly, to purchase from the Company at $[●] a share (the "**Purchase Price**") the respective number of Firm Shares set forth in Schedule I hereto opposite the name of such Underwriter.

On the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, the Company agrees to sell to the Underwriters the Additional Shares, and the Underwriters shall have the right to purchase from the Company, severally and not jointly, up to [●] Additional Shares at the Purchase Price, provided, however, that the amount paid by the Underwriters for any Additional Shares shall be reduced by an amount per share equal to any dividends declared by the Company and payable on the Firm Shares but not payable on such Additional Shares. You may exercise this right on behalf of the Underwriters in whole or from time to time in part by giving written notice not later than 30 days after the date of this Agreement. Any exercise notice shall specify the number of Additional Shares to be purchased by the Underwriters and the date on which such shares are to be purchased. Each purchase date must be at least one business day after the written notice is given and may not be earlier than the closing date for the Firm Shares nor later than ten business days after the date of such notice. Additional Shares may be purchased as provided in Section 4 hereof solely for the purpose of covering over-allotments made in connection with the offering of the Firm Shares. On each day, if any, that Additional Shares are to be purchased (an "**Option Closing Date**"), each Underwriter agrees, severally and not jointly, to purchase the number of Additional Shares (subject to such adjustments to eliminate fractional shares as you may determine) that bears the same proportion to the total number of Additional Shares to be purchased on such Option Closing Date as the number of Firm Shares set forth in Schedule I hereto opposite the name of such Underwriter bears to the total number of Firm Shares.

The Company hereby agrees that, without the prior written consent of the Representatives on behalf of the Underwriters, it will not, during the period ending 180 days after the date of the Prospectus (the **"Restricted Period**"), (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any other securities convertible into or exercisable or exchangeable for Common Stock or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise or (3) file any registration statement with the Commission relating to the offering of any shares of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock.

The restrictions contained in the preceding paragraph shall not apply to (a) the Shares to be sold hereunder, (b) the issuance by the Company of shares of Common Stock upon the exercise of an option or warrant or the conversion of a security outstanding on the date hereof of which the Underwriters have been advised in writing, (c) the grant of options or the issuance of shares of Common Stock by the Company to employees, officers, directors, advisors or consultants of the Company pursuant to employee benefit plans described in the Time of Sale Prospectus, *provided* that, prior to such grant or issuance pursuant to this clause (c), each recipient of such grant or issuance shall have signed and delivered a lock-up letter substantially in the form of Exhibit A hereto, (d) the filing by the Company of a registration statement on Form S-8 with the Commission in respect of any shares issued under or the grant of any award pursuant to an employee benefit plan described in the Time of Sale Prospectus, (e) the sale or issuance of or entry into an agreement to sell or issue shares of Common Stock or securities convertible into or exercisable for Common Stock in connection with any (i) mergers, (ii) acquisition of securities, businesses, property or other assets, (iii) joint ventures, (iv) strategic alliances, (v) equipment leasing arrangements, or (vi) debt financing, *provided* that the aggregate number of shares of Common Stock or securities convertible into or exercisable for Common Stock (on an as-converted or as-exercised basis, as the case may be) that the Company may sell or issue or agree to sell or issue pursuant to this clause (e) shall not exceed 5% of the total number of shares of the Common Stock issued and outstanding immediately following the completion of the transactions contemplated by this Agreement, and *provided further*, that each recipient of shares of Common Stock or securities convertible into or exercisable for Common Stock pursuant to this clause (e) shall execute a lock-up agreement substantially in the form of Exhibit A hereto, or (f) the establishment of a trading plan pursuant to Rule 10b5-1 under the Exchange Act for the transfer of shares of Common Stock, *provided* that (i) such plan does not provide for the transfer of Common Stock during the Restricted Period and (ii) to the extent a public announcement or filing under the Exchange Act, if any, is required of or voluntarily made by or on behalf of the Company regarding the establishment of such plan, such announcement or filing shall include a statement to the effect that no transfer of Common Stock may be made under such plan during the Restricted Period.

If the Representatives, in their sole discretion, agree to release or waive the restrictions set forth in a lock-up letter described in Section 5(f) hereof for an officer or director of the Company and provide the Company with notice of the impending release or waiver at least three business days before the effective date of the release or waiver, the Company agrees to announce the impending release or waiver by a press release substantially in the form of Exhibit B hereto through a major news service at least two business days before the effective date of the release or waiver, if required by FINRA Rule 5131.

3. *Terms of Public Offering*. The Company is advised by you that the Underwriters propose to make a public offering of their respective portions of the Shares as soon after the Registration Statement and this Agreement have become effective as in your judgment is advisable. The Company is further advised by you that the Shares are to be offered to the public initially at $[●] a share (the "**Public Offering Price**") and to certain dealers selected by you at a price that represents a concession not in excess of $[●] a share under the Public Offering Price, and that any Underwriter may allow, and such dealers may reallow, a concession, not in excess of $[●] a share, to any Underwriter or to certain other dealers.

4. *Payment and Delivery.* Payment for the Firm Shares shall be made to the Company in Federal or other funds immediately available in New York City against delivery of such Firm Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York City time, on [●], 2015, or at such other time on the same or such other date, not later than [●], 2015, as shall be designated in writing by you. The time and date of such payment are hereinafter referred to as the "**Closing Date**."

Payment for any Additional Shares shall be made to the Company in Federal or other funds immediately available in New York City against delivery of such Additional Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York City time, on the date specified in the corresponding notice described in Section 2 or at such other time on the same or on such other date, in any event not later than [●], 2015, as shall be designated in writing by you.

The Firm Shares and Additional Shares shall be registered in such names and in such denominations as you shall request in writing not later than one full business day prior to the Closing Date or the applicable Option Closing Date, as the case may be. The Firm Shares and Additional Shares shall be delivered to you on the Closing Date or an Option Closing Date, as the case may be, for the respective accounts of the several Underwriters. The Purchase Price payable by the Underwriters shall be reduced by (i) any transfer taxes paid by, or on behalf of, the Underwriters in connection with the transfer of the Shares to the Underwriters and (ii) any withholding required by law.

5. *Conditions to the Underwriters' Obligations*. The obligations of the Company to sell the Shares to the Underwriters and the several obligations of the Underwriters to purchase and pay for the Shares on the Closing Date are subject to the condition that the Registration Statement shall have become effective not later than [● p.m.] (New York City time) on the date hereof.

The several obligations of the Underwriters are subject to the following further conditions:

(a) Subsequent to the execution and delivery of this Agreement and prior to the Closing Date:

(i) there shall not have occurred any downgrading, nor shall any notice have been given of any intended or potential downgrading or of any review for a possible change that does not indicate the direction of the possible change, in the rating accorded any of the securities of the Company or any of its subsidiaries by any "nationally recognized statistical rating organization," as such term is defined in Section 3(a)(62) of the Securities Exchange Act of 1934, as amended (the **"Exchange Act**"); and

(ii) there shall not have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations of the Company and its subsidiaries, taken as a whole, from that set forth in the Time of Sale Prospectus that, in your judgment, is material and adverse and that makes it, in your judgment, impracticable to market the Shares on the terms and in the manner contemplated in the Time of Sale Prospectus.

(b) The Underwriters shall have received on the Closing Date a certificate, dated the Closing Date and signed on behalf of the Company by an executive officer of the Company, to the effect set forth in Section 5(a)(i) above and to the effect that the representations and warranties of the Company contained in this Agreement are true and correct as of the Closing Date and that the Company has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder on or before the Closing Date. The officer signing and delivering such certificate may rely upon his or her knowledge as to proceedings threatened.

(c) The Underwriters shall have received on the Closing Date an opinion of Stradling Yocca Carlson & Rauth, P.C. (**"Stradling Yocca**"), outside counsel for the Company, dated the Closing Date, in form and substance satisfactory to the Representatives.

(d) The Underwriters shall have received on the Closing Date an opinion of Wilson Sonsini Goodrich & Rosati, Professional Corporation (**"WSGR**"), counsel for the Underwriters, dated the Closing Date, in form and substance satisfactory to the Representatives.

(e) The Underwriters shall have received, on each of the date hereof and the Closing Date, a letter dated the date hereof or the Closing Date, as the case may be, in form and substance satisfactory to the Underwriters, from PWC, independent public accountants, containing statements and information of the type

ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement, the Time of Sale Prospectus and the Prospectus; *provided* that the letter delivered on the Closing Date shall use a "cut-off date" not earlier than the date hereof.

(f) The "lock-up" agreements, each substantially in the form of Exhibit A hereto, between you and certain security holders, officers and directors of the Company relating to sales and certain other dispositions of shares of Common Stock or certain other securities, delivered to you on or before the date hereof, shall be in full force and effect on the Closing Date.

(g) The Underwriters shall have received, on each of the date hereof and the Closing Date, a certificate of the Chief Financial Officer of the Company, in form and substance satisfactory to the Representatives, with respect to certain information contained in the Time of Sale Prospectus and the Prospectus.

(h) The several obligations of the Underwriters to purchase Additional Shares hereunder are subject to the delivery to you on the applicable Option Closing Date of the following:

(i) a certificate, dated the Option Closing Date and signed by an executive officer of the Company, confirming that the certificate delivered on the Closing Date pursuant to Section 5(b) hereof remains true and correct as of such Option Closing Date;

(ii) an opinion of Stradling Yocca, outside counsel for the Company, dated the Option Closing Date, relating to the Additional Shares to be purchased on such Option Closing Date and otherwise to the same effect as the opinion required by Section 5(c) hereof;

(iii) an opinion of WSGR, counsel for the Underwriters, dated the Option Closing Date, relating to the Additional Shares to be purchased on such Option Closing Date and otherwise to the same effect as the opinion required by Section 5(d) hereof;

(iv) a letter dated the Option Closing Date, in form and substance satisfactory to the Underwriters, from PWC, independent public accountants, substantially in the same form and substance as the letter furnished to the Underwriters pursuant to Section 5(e) hereof; *provided* that the letter delivered on the Option Closing Date shall use a "cut-off date" not earlier than three business days prior to such Option Closing Date; and

(v) such other documents as you may reasonably request with respect to the good standing of the Company, the due authorization and issuance of the Additional Shares to be sold on such Option Closing Date and other matters related to the issuance of such Additional Shares.

6. *Covenants of the Company.* The Company covenants with each Underwriter as follows:

(a) To furnish to you, without charge, five signed copies of the Registration Statement (including exhibits thereto) and for delivery to each other Underwriter a conformed copy of the Registration Statement (without exhibits thereto) and to furnish to you in New York City, without charge, prior to 10:00 a.m. New York City time on the business day next succeeding the date of this Agreement and during the period mentioned in Section 6(e) or 6(f) below, as many copies of the Time of Sale Prospectus, the Prospectus and any supplements and amendments thereto or to the Registration Statement as you may reasonably request.

(b) Before amending or supplementing the Registration Statement, the Time of Sale Prospectus or the Prospectus, to furnish to you a copy of each such proposed amendment or supplement and not to file any such proposed amendment or supplement to which you reasonably object, and to file with the Commission within the applicable period specified in
Rule 424(b) under the Securities Act any prospectus required to be filed pursuant to such Rule.

(c) To furnish to you a copy of each proposed free writing prospectus to be prepared by or on behalf of, used by, or referred to by the Company and not to use or refer to any proposed free writing prospectus to which you reasonably object.

(d) Not to take any action that would result in an Underwriter or the Company being required to file with the Commission pursuant to Rule 433(d) under the Securities Act a free writing prospectus prepared by or on behalf of the Underwriter that the Underwriter otherwise would not have been required to file thereunder.

(e) If the Time of Sale Prospectus is being used to solicit offers to buy the Shares at a time when the Prospectus is not yet available to prospective purchasers and any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Time of Sale Prospectus in order to make the statements therein, in the light of the circumstances, not misleading, or if any event shall occur or condition exist as a result of which the Time of Sale Prospectus conflicts with the information contained in the Registration Statement then on file, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Time of Sale Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to any dealer upon request, either amendments or supplements to the Time of Sale Prospectus so that the statements in the Time of Sale Prospectus as so amended or supplemented will not, in the light of the circumstances when the Time of Sale Prospectus is delivered to a prospective purchaser, be misleading or so that the Time of Sale Prospectus, as amended or supplemented, will no longer conflict with the Registration Statement, or so that the Time of Sale Prospectus, as amended or supplemented, will comply with applicable law.

(f) If, during such period after the first date of the public offering of the Shares as in the opinion of counsel for the Underwriters the Prospectus (or in lieu thereof the notice referred to in Rule 173(a) of the Securities Act) is required by law to be delivered in connection with sales by an Underwriter or dealer, any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus (or in lieu thereof the notice referred to in Rule 173(a) of the Securities Act) is delivered to a purchaser, not misleading, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Prospectus to comply with applicable law, forthwith to prepare, file with the Commission and furnish, at its own expense, to the Underwriters and to the dealers (whose names and addresses you will furnish to the Company) to which Shares may have been sold by you on behalf of the Underwriters and to any other dealers upon request, either amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances when the Prospectus (or in lieu thereof the notice referred to in Rule 173(a) of the Securities Act) is delivered to a purchaser, be misleading or so that the Prospectus, as amended or supplemented, will comply with applicable law.

(g) To endeavor to qualify the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions as you shall reasonably request; *provided*, however, that the Company shall not be required to qualify to do business in any jurisdiction, to execute a general consent to service of process in any jurisdiction or to subject itself to taxation in any jurisdiction in which it is not otherwise subject.

(h) To comply with all applicable securities and other laws, rules and regulations in each jurisdiction in which the Directed Shares are offered in connection with the Directed Share Program.

(i) To make generally available to the Company's security holders and to you as soon as practicable an earnings statement covering a period of at least twelve months beginning with the first fiscal quarter of the Company occurring after the date of this Agreement which shall satisfy the provisions of Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder.

(j) The Company will promptly notify the Representatives if the Company ceases to be an Emerging Growth Company at any time prior to the later of (a) completion of the distribution of the Shares within the meaning of the Securities Act and (b) completion of the Restricted Period (as defined in Section 2).

(k) If at any time following the distribution of any Written Testing-the-Waters Communication there occurred or occurs an event or development as a result of which such Written Testing-the-Waters Communication included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at that subsequent time, not misleading, the Company will promptly notify the Representatives and will promptly amend or supplement, at its own expense, such Written Testing-the-Waters Communication to eliminate or correct such untrue statement or omission.

7. *Expenses*. Whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, the Company agrees to pay or cause to be paid all expenses incident to the performance of its obligations under this Agreement, including: (i) the fees, disbursements and expenses of the Company's counsel and the Company's accountants in connection with the registration and delivery of the Shares under the Securities Act and all other fees or expenses in connection with the preparation and filing of the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, the Prospectus, any free writing prospectus prepared by or on behalf of, used by, or referred to by the Company and amendments and supplements to any of the foregoing, including all printing costs associated therewith, and the mailing and delivering of copies thereof to the Underwriters and dealers, in the quantities hereinabove specified, (ii) all costs and expenses related to the transfer and delivery of the Shares to the Underwriters, including any transfer or other taxes payable thereon, (iii) the cost of printing or producing any Blue Sky or Legal Investment memorandum in connection with the offer and sale of the Shares under state securities laws and all expenses in connection with the qualification of the Shares for offer and sale under state securities laws as provided in Section 6(g) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky or Legal Investment memorandum, (iv) all filing fees and the reasonable fees and disbursements of counsel to the Underwriters incurred in connection with the review and qualification of the offering of the Shares by FINRA (provided that the amount payable by the Company with respect to the fees and disbursements of counsel for the Underwriters incurred pursuant to subsections (iii) and (iv) shall not exceed $30,000), (v) all fees and expenses in connection with the preparation and filing of the registration statement on Form 8-A relating to the Class A Common Stock and all costs and expenses incident to listing the Shares on the NASDAQ Global Market, (vi) the cost of printing certificates representing the Shares, (vii) the costs and charges of any transfer agent, registrar or depositary, (viii) the costs and expenses of the Company relating to investor presentations on any "road show" undertaken in connection with the marketing of the offering of the Shares, including, without limitation, expenses associated with the preparation or dissemination of any electronic road show, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, travel and lodging expenses of the representatives and officers of the Company and any such consultants, and 50% of ground transportation costs and 50% of the cost of any aircraft chartered in connection with the road show (the remaining 50% of the cost of such ground transportation and aircraft to be paid by the

Underwriters), (ix) the document production charges and expenses associated with printing this Agreement, (x) all fees and disbursements of counsel incurred by the Underwriters in connection with the Directed Share Program and stamp duties, similar taxes or duties or other taxes, if any, incurred by the Underwriters in connection with the Directed Share Program, and (xi) all other costs and expenses incident to the performance of the obligations of the Company hereunder for which provision is not otherwise made in this Section. It is understood, however, that except as provided in this Section, Section 9 entitled "Indemnity and Contribution," Section 10 entitled "Directed Share Program Indemnification," and the last paragraph of Section 12 below, the Underwriters will pay all of their costs and expenses, including fees and disbursements of their counsel, stock transfer taxes payable on resale of any of the Shares by them and any advertising expenses connected with any offers they may make.

8. *Covenants of the Underwriters*. Each Underwriter severally covenants with the Company not to take any action that would result in the Company being required to file with the Commission under Rule 433(d) a free writing prospectus prepared by or on behalf of such Underwriter that otherwise would not be required to be filed by the Company thereunder, but for the action of the Underwriter.

9. *Indemnity and Contribution.*

(a) The Company agrees to indemnify and hold harmless each Underwriter, each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act and each affiliate of any Underwriter within the meaning of Rule 405 under the Securities Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus, the Time of Sale Prospectus or any amendment or supplement thereto, any issuer free writing prospectus as defined in Rule 433(h) under the Securities Act, any Company information that the Company has filed, or is required to file, pursuant to Rule 433(d) under the Securities Act, any road show as defined in Rule 433(h) under the Securities Act (a "road show"), or the Prospectus or any amendment or supplement thereto, or any Written Testing-the-Waters Communication, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein.

(b) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, the directors of the Company, the officers of the Company who sign the Registration Statement and each person, if any, who

controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement or any amendment thereof, any preliminary prospectus, the Time of Sale Prospectus or any amendment or supplement thereto, any issuer free writing prospectus as defined in Rule 433(h) under the Securities Act, any Company information that the Company has filed, or is required to file, pursuant to Rule 433(d) under the Securities Act, any road show, or the Prospectus or any amendment or supplement thereto, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, but only with reference to information relating to such Underwriter furnished to the Company in writing by such Underwriter through you expressly for use in the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, any issuer free writing prospectus, road show or the Prospectus or any amendment or supplement thereto.

(c) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 9(a) or 9(b), such person (the "**indemnified party**") shall promptly notify the person against whom such indemnity may be sought (the "**indemnifying party**") in writing and the indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the reasonably incurred fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for (i) the fees and expenses of more than one separate firm (in addition to any local counsel) for all Underwriters and all persons, if any, who control any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act or who are affiliates of any Underwriter within the meaning of Rule 405 under the Securities Act, and (ii) the fees and expenses of more than one separate firm (in addition to any local counsel) for the Company, its directors, its officers who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either such Section, and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such

separate firm for the Underwriters and such control persons and affiliates of any Underwriters, such firm shall be designated in writing by the Representatives. In the case of any such separate firm for the Company, and such directors, officers and control persons of the Company, such firm shall be designated in writing by the Company. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 60 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement (i) includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding and (ii) does not include a statement as to or an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party.

(d) To the extent the indemnification provided for in Section 9(a) or 9(b) is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party or parties on the one hand and the indemnified party or parties on the other hand from the offering of the Shares or (ii) if the allocation provided by clause 9(d)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 9(d)(i) above but also the relative fault of the indemnifying party or parties on the one hand and of the indemnified party or parties on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other hand in connection with the offering of the Shares shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Shares (before deducting expenses but after deducting underwriting discounts and commissions) received by the Company and the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover of the

Prospectus, bear to the aggregate Public Offering Price of the Shares. The relative fault of the Company on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Underwriters' respective obligations to contribute pursuant to this Section 9 are several in proportion to the respective number of Shares they have purchased hereunder, and not joint.

(e) The Company and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 9 were determined by *pro rata* allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 9(d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in Section 9(d) shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 9, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 9 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(f) The indemnity and contribution provisions contained in this Section 9 and the representations, warranties and other statements of the Company contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Underwriter, any person controlling any Underwriter or any affiliate of any Underwriter or by or on behalf of the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Shares.

10. *Directed Share Program Indemnification.* (a) The Company agrees to indemnify and hold harmless Morgan Stanley, each person, if any, who controls Morgan Stanley within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act and each affiliate of Morgan Stanley within the meaning of Rule 405 of the Securities Act ("**Morgan Stanley Entities**") from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses

reasonably incurred in connection with defending or investigating any such action or claim) (i) caused by any untrue statement or alleged untrue statement of a material fact contained in any material prepared by or with the consent of the Company for distribution to Participants in connection with the Directed Share Program or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; (ii) caused by the failure of any Participant to pay for and accept delivery of Directed Shares that the Participant agreed to purchase; or (iii) related to, arising out of, or in connection with the Directed Share Program, other than losses, claims, damages or liabilities (or expenses relating thereto) that are finally judicially determined to have resulted from the bad faith or gross negligence of Morgan Stanley Entities.

(b) In case any proceeding (including any governmental investigation) shall be instituted involving any Morgan Stanley Entity in respect of which indemnity may be sought pursuant to Section 10(a), the Morgan Stanley Entity seeking indemnity, shall promptly notify the Company in writing and the Company, upon request of the Morgan Stanley Entity, shall retain counsel reasonably satisfactory to the Morgan Stanley Entity to represent the Morgan Stanley Entity and any others the Company may designate in such proceeding and shall pay the reasonably incurred fees and disbursements of such counsel related to such proceeding. In any such proceeding, any Morgan Stanley Entity shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Morgan Stanley Entity unless (i) the Company shall have agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the Company and the Morgan Stanley Entity and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. The Company shall not, in respect of the legal expenses of the Morgan Stanley Entities in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the fees and expenses of more than one separate firm (in addition to any local counsel) for all Morgan Stanley Entities. Any such separate firm for the Morgan Stanley Entities shall be designated in writing by Morgan Stanley. The Company shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the Company agrees to indemnify the Morgan Stanley Entities from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time a Morgan Stanley Entity shall have requested the Company to reimburse it for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the Company agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 days after receipt by the Company of the aforesaid request and (ii) the Company shall not have reimbursed the Morgan Stanley Entity in accordance with such request prior to the date of such settlement. The Company shall not, without the prior written consent of Morgan Stanley, effect any settlement of any pending or threatened proceeding in respect of which any Morgan Stanley Entity is or could have been a party and indemnity could have been sought hereunder by such Morgan Stanley Entity, unless such settlement includes an unconditional release of the Morgan Stanley Entities from all liability on claims that are the subject matter of such proceeding.

(c) To the extent the indemnification provided for in Section 10(a) is unavailable to a Morgan Stanley Entity or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then the Company in lieu of indemnifying the Morgan Stanley Entity thereunder, shall contribute to the amount paid or payable by the Morgan Stanley Entity as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Morgan Stanley Entities on the other hand from the offering of the Directed Shares or (ii) if the allocation provided by clause 10(c)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 10(c)(i) above but also the relative fault of the Company on the one hand and of the Morgan Stanley Entities on the other hand in connection with any statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Morgan Stanley Entities on the other hand in connection with the offering of the Directed Shares shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Directed Shares (before deducting expenses) and the total underwriting discounts and commissions received by the Morgan Stanley Entities for the Directed Shares, bear to the aggregate Public Offering Price of the Directed Shares. If the loss, claim, damage or liability is caused by an untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact, the relative fault of the Company on the one hand and the Morgan Stanley Entities on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement or the omission or alleged omission relates to information supplied by the Company or by the Morgan Stanley Entities and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(d) The Company and the Morgan Stanley Entities agree that it would not be just or equitable if contribution pursuant to this Section 10 were determined by pro rata allocation (even if the Morgan Stanley Entities were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 10(c). The amount paid or payable by the Morgan Stanley Entities as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by the Morgan Stanley Entities in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 10, no Morgan Stanley Entity shall be required to contribute any amount in excess of the amount by which the total price at which the Directed Shares distributed to the public were offered to the public exceeds the amount of any damages that such Morgan Stanley Entity has otherwise been required to pay. The remedies provided for in this Section 10 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(e) The indemnity and contribution provisions contained in this Section 10 shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Morgan Stanley Entity or the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Directed Shares.

11. *Termination*. The Underwriters may terminate this Agreement by notice given by you to the Company, if after the execution and delivery of this Agreement and prior to the Closing Date (i) trading generally shall have been suspended or materially limited on, or by, as the case may be, any of the New York Stock Exchange, the NYSE MKT, or the NASDAQ Global Market, (ii) trading of any securities of the Company shall have been suspended on any exchange or in any over-the-counter market, (iii) a material disruption in securities settlement, payment or clearance services in the United States shall have occurred, (iv) any moratorium on commercial banking activities shall have been declared by Federal or New York State authorities or (v) there shall have occurred any outbreak or escalation of hostilities, or any change in financial markets or any calamity or crisis that, in your judgment, is material and adverse and which, singly or together with any other event specified in this clause (v), makes it, in your judgment, impracticable or inadvisable to proceed with the offer, sale or delivery of the Shares on the terms and in the manner contemplated in the Time of Sale Prospectus or the Prospectus.

12. *Effectiveness; Defaulting Underwriters*. This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

If, on the Closing Date or an Option Closing Date, as the case may be, any one or more of the Underwriters shall fail or refuse to purchase Shares that it has or they have agreed to purchase hereunder on such date, and the aggregate number of Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than one-tenth of the aggregate number of the Shares to be purchased on such date, the other Underwriters shall be obligated severally in the proportions that the number of Firm Shares set forth opposite their respective names in Schedule I bears to the aggregate number of Firm Shares set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as you may specify, to purchase the Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date; *provided* that in no event shall the number of Shares that any Underwriter has agreed to purchase pursuant to this Agreement be increased pursuant to this Section 12 by an amount in excess of one-ninth of such number of Shares without the written consent of such Underwriter. If, on the Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Firm Shares and the aggregate number of Firm Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Firm Shares to be purchased on such date, and arrangements satisfactory to you and the Company for the purchase of such Firm Shares are not made within 36 hours after such default, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter or the Company. In any such case either you or the Company shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement, in the Time of Sale Prospectus, in the Prospectus or in any other documents or arrangements may be effected. If, on an Option Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Additional Shares and the

aggregate number of Additional Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Additional Shares to be purchased on such Option Closing Date, the non-defaulting Underwriters shall have the option to (i) terminate their obligation hereunder to purchase the Additional Shares to be sold on such Option Closing Date or (ii) purchase not less than the number of Additional Shares that such non-defaulting Underwriters would have been obligated to purchase in the absence of such default. Any action taken under this paragraph shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

If this Agreement shall be terminated by the Underwriters, or any of them, because of any failure or refusal on the part of the Company to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Company shall be unable to perform its obligations under this Agreement, the Company will reimburse the Underwriters or such Underwriters as have so terminated this Agreement with respect to themselves, severally, for all out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by such Underwriters in connection with this Agreement or the offering contemplated hereunder; provided, however, that if this Agreement shall be terminated pursuant to clauses (i), (iii), (iv) or (v) of Section 11, then the obligation of the Company to reimburse the expenses of the Underwriters set forth in clause (iv) of Section 7 shall also be terminated and of no further effect.

13. *Entire Agreement*. (a) This Agreement, together with any contemporaneous written agreements and any prior written agreements (to the extent not superseded by this Agreement) that relate to the offering of the Shares, represents the entire agreement between the Company, on the one hand, and the Underwriters, on the other, with respect to the preparation of any preliminary prospectus, the Time of Sale Prospectus, the Prospectus, the conduct of the offering, and the purchase and sale of the Shares.

(b) The Company acknowledges that in connection with the offering of the Shares: (i) the Underwriters have acted at arm's length, are not agents of, and owe no fiduciary duties to, the Company or any other person, (ii) the Underwriters owe the Company only those duties and obligations set forth in this Agreement and prior written agreements by and among the Company and the Underwriters (to the extent not superseded by this Agreement), if any, and (iii) the Underwriters may have interests that differ from those of the Company. The Company waives to the fullest extent permitted by applicable law any claims it may have against the Underwriters arising from an alleged breach of fiduciary duty in connection with the offering of the Shares.

14. *Counterparts*. This Agreement may be signed in two or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

15. *Applicable Law*. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

16. *USA Patriot Act.* In accordance with the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), the underwriters are required to obtain, verify and record information that identifies their respective clients, including the Company, which information may include the name and address of their respective clients, as well as other information that will allow the underwriters to properly identify their respective clients.

17. *Headings*. The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

18. *Notices*. All communications hereunder shall be in writing and effective only upon receipt and if to the Underwriters shall be delivered, mailed or sent to you in care of Morgan Stanley & Co. LLC, 1585 Broadway, New York, New York 10036, Attention: Equity Syndicate Desk, with a copy to the Legal Department, and Credit Suisse Securities (USA) LLC, Eleven Madison Avenue, New York, New York 10010; if to the Company shall be delivered, mailed or sent to AppFolio, Inc., 50 Castilian Drive, Goleta, California 93117, Attention: Chief Financial Officer.

[Signature Pages Follow]

Very truly yours,

APPFOLIO, INC.

By: _____

Name:

Title:

[Signature Page to AppFolio, Inc. Underwriting Agreement]

Accepted as of the date hereof
Morgan Stanley & Co. LLC
Credit Suisse Securities (USA) LLC

Acting severally on behalf of themselves and
the several Underwriters named in
Schedule I hereto.

By: Morgan Stanley & Co. LLC

By: _____
Name:
Title:

By: Credit Suisse Securities (USA) LLC

By: _____
Name:
Title:

SCHEDULE I

Underwriter	Number of Firm Shares To Be Purchased
Morgan Stanley & Co. LLC	
Credit Suisse Securities (USA) LLC	
Pacific Crest Securities, a division of KeyBanc Capital Markets Inc.	
William Blair & Company, L.L.C.	
Total:	

SCHEDULE II

Time of Sale Prospectus

1. Preliminary Prospectus issued [date]

2. [identify all free writing prospectuses filed by the Company under Rule 433(d) of the Securities Act]

3. [free writing prospectus containing a description of terms that does not reflect final terms, if the Time of Sale Prospectus does not include a final term sheet]

4. [orally communicated pricing information such as price per share and size of offering if a Rule 134 pricing term sheet is used at the time of sale instead of a pricing term sheet filed by the Company under Rule 433(d) as a free writing prospectus]

SCHEDULE III

Written Testing-the-Waters Communications

Written communications to potential investors in reliance on Section 5(d) of the Securities Act of 1933, as amended, were provided as follows:

[ ]

EXHIBIT A

FORM OF LOCK-UP LETTER

, 2015

Morgan Stanley & Co. LLC
Credit Suisse Securities (USA) LLC

c/o Morgan Stanley & Co. LLC
1585 Broadway
New York, New York 10036

c/o Credit Suisse Securities (USA) LLC
Eleven Madison Avenue
New York, New York 10010

Ladies and Gentlemen:

The undersigned understands that Morgan Stanley & Co. LLC and Credit Suisse Securities (USA) LLC (together, the "**Representatives**") propose to enter into an Underwriting Agreement (the "**Underwriting Agreement**") with AppFolio, Inc., a Delaware corporation (the "**Company**"), providing for the public offering (the "**Public Offering**") by the several underwriters to be named in the Underwriting Agreement, including the Representatives (collectively, the "**Underwriters**"), of shares (the "**Shares**") of the Class A common stock of the Company, par value $0.0001 per share (together with the shares of the Class B common stock of the Company, par value $0.0001 per share, the "**Common Stock**").

To induce the Underwriters to participate in the Public Offering and to continue their efforts in connection with the Public Offering, the undersigned hereby agrees that, without the prior written consent of the Representatives on behalf of the Underwriters, the undersigned will not, and will not publicly disclose an intention to, during the period commencing on the date hereof and ending 180 days after the date of the final prospectus (the "**Restricted Period**") relating to the Public Offering, (1) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock beneficially owned (as such term is used in Rule 13d-3 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**")), by the undersigned or any other securities so owned convertible into or exercisable or exchangeable for Common Stock or (2) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic

consequences of ownership of the Common Stock, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise.

The restrictions described in the foregoing sentence shall not apply to:

(a) the sale of shares of Common Stock pursuant to the terms of the Underwriting Agreement;

(b) transactions relating to shares of Common Stock or other Company securities acquired in open market transactions after the completion of the Public Offering, *provided* that no filing or public announcement under Section 16(a) of the Exchange Act or otherwise shall be required or shall be voluntarily made in connection with subsequent sales of Common Stock or other Company securities acquired in such open market transactions;

(c) transfers of shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock (i) as a *bona fide* gift or gifts, (ii) to any trust for the direct or indirect benefit of the undersigned or of the spouse, domestic partner, parent, child or grandchild (each, an "immediate family member") of the undersigned, (iii) to the legal representatives or an immediate family member of the undersigned by will or intestate succession, (iv) if the undersigned is a corporation, partnership, limited liability company or other business entity (A) to another corporation, partnership, limited liability company or other business entity controlled or managed by, directly or indirectly, or under common control or management with, the undersigned or (B) as part of a disposition, transfer or distribution without consideration by the undersigned to its equity holders, or (v) if the undersigned is a trust, to a trustor or beneficiary of the trust; *provided* that, in the case of any transfer or distribution pursuant to this clause (c), each transferee, donee or distributee shall sign and deliver to the Representatives a lock-up agreement substantially in the form of this agreement, and *provided*, further, that no filing or public announcement under Section 16(a) of the Exchange Act or otherwise, reporting a reduction in beneficial ownership of shares of Common Stock, shall be required or shall be voluntarily made during the Restricted Period other than any filing made on Form 5 in accordance with Section 16(a) of the Exchange Act after the expiration of the Restricted Period;

(d) the receipt by the undersigned from the Company of shares of Common Stock upon the exercise of options, *provided* that such shares of Common Stock are subject to the terms of this agreement and no filing or public announcement under Section 16(a) of the Exchange Act or otherwise shall be required or shall be voluntarily made during the Restricted Period;

(e) the withholding of shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock by the Company in a transaction solely to satisfy tax withholding and remittance obligations of the

undersigned or the employer of the undersigned in connection with the vesting of stock options or other equity awards held by the undersigned as of the date hereof, *provided* that no filing or public announcement under Section 16(a) of the Exchange Act or otherwise shall be required or shall be voluntarily made during the Restricted Period;

(f) the establishment of a trading plan pursuant to Rule 10b5-1 under the Exchange Act for the transfer of shares of Common Stock, *provided* that (i) such plan does not provide for the transfer of Common Stock during the Restricted Period and (ii) to the extent a public announcement or filing under the Exchange Act is required of or voluntarily made by or on behalf of the undersigned or the Company regarding the establishment of such plan, such announcement or filing shall include a statement to the effect that no transfer of Common Stock may be made under such plan during the Restricted Period; or

(g) the transfer of shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock that occurs by order of a court of competent jurisdiction pursuant to a qualified domestic order or in connection with a divorce settlement, *provided* that (i) each transferee shall sign and deliver to the Representatives a lock-up agreement substantially in the form of this agreement and (ii) to the extent a public announcement or filing under the Exchange Act is required of or voluntarily made by or on behalf of the undersigned or the Company regarding the transfer, such announcement or filing shall include a statement to the effect that the transfer was made pursuant to an order of a court of competent jurisdiction.

In addition, the undersigned agrees that, without the prior written consent of the Representatives on behalf of the Underwriters, the undersigned will not, and will not publicly disclose an intention to, during the Restricted Period, make any demand for or exercise any right with respect to, the registration of any shares of Common Stock or any security convertible into or exercisable or exchangeable for Common Stock. The undersigned also agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the undersigned's shares of Common Stock except in compliance with the foregoing restrictions.

If the undersigned is an officer or director of the Company, the undersigned further agrees that the foregoing provisions shall be equally applicable to any issuer-directed Shares the undersigned may purchase in the Public Offering.

If the undersigned is an officer or director of the Company, (i) the Representatives agree that, at least three business days before the effective date of any release or waiver of the foregoing restrictions in connection with a transfer of shares of Common Stock, the Representatives will notify the Company of the impending release or waiver, and (ii) the Company has agreed in the Underwriting Agreement to announce the impending release or waiver by press release through a major news service at least two business days before the effective date of the release or waiver. Any release or waiver granted by the

Representatives hereunder to any such officer or director shall only be effective two business days after the publication date of such press release. The provisions of this paragraph will not apply if (a) the release or waiver is effected solely to permit a transfer not for consideration and (b) the transferee has agreed in writing to be bound by the same terms described in this letter to the extent and for the duration that such terms remain in effect at the time of the transfer.

The undersigned understands that the Company and the Underwriters are relying upon this agreement in proceeding toward consummation of the Public Offering. The undersigned further understands that, subject to the termination provisions set forth below, this agreement is irrevocable and shall be binding upon the undersigned's heirs, legal representatives, successors and assigns.

This agreement shall automatically terminate upon the earliest to occur of: (i) the date the Company provides the Representatives with written notice prior to the execution of the Underwriting Agreement that it does not intend to proceed with the Public Offering; (ii) the termination of the Underwriting Agreement before the sale of any shares of Common Stock to the Underwriters; (iii) the withdrawal by the Company of the registration statement relating to the Public Offering; or (iv) December 31, 2015, if the Underwriting Agreement has not been executed by that date.

Very truly yours,

_____

(Name)

_____

(Address)

EXHIBIT B

FORM OF WAIVER OF LOCK-UP

, 20

[Name and Address of
Officer or Director
Requesting Waiver]

Dear Mr./Ms. [Name]:

This letter is being delivered to you in connection with the offering by AppFolio, Inc. (the "**Company**") of [●] shares of Class A common stock, $0.0001 par value per share (together with the Class B common stock, $0.0001 par value per share, the "**Common Stock**"), of the Company and the lock-up letter dated , 20 (the "Lock-up Letter"), executed by you in connection with such offering, and your request for a [waiver] [release] dated , 20 , with respect to [●] shares of Common Stock (the "**Shares**").

Morgan Stanley & Co. LLC and Credit Suisse Securities (USA) LLC hereby agree to [waive] [release] the transfer restrictions set forth in the Lock-up Letter, but only with respect to the Shares, effective , 20 ; provided, however, that such [waiver] [release] is conditioned on the Company announcing the impending [waiver] [release] by press release through a major news service at least two business days before effectiveness of such [waiver] [release]. This letter will serve as notice to the Company of the impending [waiver] [release].

Except as expressly [waived] [released] hereby, the Lock-up Letter shall remain in full force and effect.

Very truly yours,

Morgan Stanley & Co. LLC
Credit Suisse Securities (USA) LLC

Acting severally on behalf of themselves and the several
Underwriters named in Schedule I hereto

Morgan Stanley & Co. LLC

By: _____
Name:
Title:

Credit Suisse Securities (USA) LLC

By: _____
Name:
Title:

cc: Company

FORM OF PRESS RELEASE

AppFolio, Inc.
[Date]

AppFolio, Inc. (the "**Company**") announced today that Morgan Stanley & Co. LLC and Credit Suisse Securities (USA) LLC, the book-running managers in the Company's recent public sale of [●] shares of Class A common stock is [waiving][releasing] a lock-up restriction with respect to [●] shares of the Company's [Class A][Class B] common stock held by [certain officers or directors] [an officer or director] of the Company. The [waiver][release] will take effect on , 20 , and the shares may be sold on or after such date.

This press release is not an offer for sale of the securities in the United States or in any other jurisdiction where such offer is prohibited, and such securities may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended.

Exhibit 3.1

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
APPFOLIO, INC.

AppFolio, Inc., a corporation organized and existing under and by virtue of the provisions of the General Corporation Law of the State of Delaware (the "**General Corporation Law**"),

DOES HEREBY CERTIFY:

1. That the name of this corporation is AppFolio, Inc., and that this corporation was originally formed as AppFolio, LLC on September 22, 2006. Pursuant to the General Corporation Law, AppFolio, LLC was converted to AppFolio, Inc. on February 14, 2007.

2. The Amended and Restated Certificate of Incorporation of AppFolio, Inc. in the form attached hereto as Exhibit A has been duly adopted in accordance with the provisions of Sections 242, 245, and 228 of the General Corporation Law of the State of Delaware by the directors and stockholders of the Corporation, and prompt written notice was duly given pursuant to Section 228 of the General Corporation Law of the State of Delaware to those stockholders who did not approve the Amended and Restated Certificate of Incorporation, as so amended and restated, by written consent.

3. The Amended and Restated Certificate of Incorporation, so adopted reads in full as set forth in Exhibit A attached hereto and is incorporated herein by this reference.

IN WITNESS WHEREOF, AppFolio, Inc. has caused this Certificate to be executed by a duly authorized officer of this corporation on this 26th day of November, 2013.

By: /s/ Brian Donahoo
Brian Donahoo
Chief Executive Officer

EXHIBIT A

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
APPFOLIO, INC.

First: The name of this corporation is AppFolio, Inc. (the **"Corporation"**).

Second: The address of the registered office of the Corporation in the State of Delaware is 2711 Centerville Road, Suite 400, Wilmington, Delaware, 19808, County New Castle. The name of the Corporation's registered agent at that address is Corporation Service Company.

Third: The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law.

Fourth: The total number of shares of all classes of stock which the Corporation shall have authority to issue is (i) 120,000,000 shares of Common Stock, $0.0001 par value per share ("**Common Stock**"), and (ii) 68,026,659 shares of Preferred Stock, $0.0001 par value per share ("**Preferred Stock**"). The following is a statement of the designations and the powers, privileges and rights, and the qualifications, limitations or restrictions thereof in respect of each class of capital stock of the Corporation.

A. COMMON STOCK

1. General. The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights, powers and preferences of the holders of the Preferred Stock set forth herein.

2. Voting. The holders of the Common Stock are entitled to one vote for each share of Common Stock held at all meetings of stockholders (and written actions in lieu of meetings). No person entitled to vote at an election for directors may cumulate votes to which such person is entitled. The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by (in addition to any vote of the holders of one or more series of Preferred Stock that may be required by the terms of the Certificate of Incorporation) the affirmative vote of the holders of shares of capital stock of the Corporation representing a majority of the votes represented by all outstanding shares of capital stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the General Corporation Law.

B. PREFERRED STOCK

1. Issuance and Reissuance.

The Preferred Stock shall be divided into series. The first series shall consist of 16,130,000 shares and is designated "**Series A Preferred Stock**." The second series shall consist of 30,268,827 shares and is designated "**Series B Preferred Stock**." The third series shall consist of 8,423,180 shares and is designated "**Series B-1 Preferred Stock**." The fourth series shall consist of 7,127,533 shares and is designated "**Series B-2 Preferred Stock**." The fifth series shall consist of 6,077,119 shares and is designated "**Series B-3 Preferred Stock**." Any shares of Preferred Stock that may be redeemed,

purchased or acquired by the Corporation may be reissued except as otherwise provided by law or by the terms of any series of Preferred Stock. The Series A Preferred Stock, Series B Preferred Stock, the Series B-1 Preferred Stock, Series B-2 Preferred Stock and the Series B-3 Preferred Stock shall have the following rights, preferences, powers, privileges, restrictions, qualifications and limitations. Unless otherwise indicated, references to "Sections" or "Subsections" in this Part B of this Article Fourth refer to sections and subsections of Part B of this Article Fourth.

2. Dividends.

The Corporation shall not declare, pay or set aside any dividends on shares of any other class or series of capital stock of the Corporation (other than dividends on shares of Common Stock payable in shares of Common Stock) unless (in addition to the obtaining of any consents required elsewhere in the Certificate of Incorporation), the holders of Preferred Stock then outstanding shall first receive, or simultaneously receive, a dividend on each outstanding share of Preferred Stock in an amount at least equal to (i) in the case of Series A Preferred Stock, $0.024798512 per share of Series A Preferred Stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series A Preferred Stock) per year from and after the date of the issuance of any shares of Series A Preferred Stock (to the extent not previously paid), (ii) in the case of Series B Preferred Stock, $0.0661292 per share of Series B Preferred Stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series B Preferred Stock) per year from and after the date of the issuance of any shares of Series B Preferred Stock (to the extent not previously paid), (iii) in the case of Series B-1 Preferred Stock, $0.094976 per share of Series B-1 Preferred Stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series B-1 Preferred Stock) per year from and after the date of the issuance of any shares of Series B-1 Preferred Stock (to the extent not previously paid), (iv) in the case of Series B-2 Preferred Stock, $0.112240 per share of Series B-2 Preferred Stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series B-2 Preferred Stock) per year from and after the date of the issuance of any shares of Series B-2 Preferred Stock (to the extent not previously paid) and (v) in the case of Series B-3 Preferred Stock, $0.15797 per share of Series B-3 Preferred Stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series B-3 Preferred Stock) per year from and after the date of the issuance of any shares of Series B-3 Preferred Stock (to the extent not previously paid).

In addition, in the case of a dividend on Common Stock or any class or series that is convertible into Common Stock, the Corporation will pay a dividend per share of Preferred Stock as would equal the product of (1) the dividend payable on each share of such class or series determined, if applicable, as if all shares of such class or series had been converted into Common Stock and (2) the number of shares of Common Stock issuable upon conversion of a share of Preferred Stock, in each case calculated on the record date for determination of holders entitled to receive such dividend; in the case of a dividend on any class or series that is not convertible into Common Stock, at a rate per share of Preferred Stock determined by (1) dividing the amount of the dividend payable on each share of such class or series of capital stock by the original issuance price of such class or series of capital stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to such class or series) and (2) multiplying such fraction by an amount equal to, in the case of the Series A Preferred Stock, the Series A Original Issue Price, in the case of the Series B Preferred Stock, the Series B Original Issue

Price, in the case of Series B-1 Preferred Stock, the Series B-1 Original Issue Price, in the case of Series B-2 Preferred Stock, the Series B-2 Original Issue Price, and in the case of Series B-3 Preferred Stock, the Series B-3 Original Issue Price. The foregoing dividend shall not be cumulative.

The **"Series A Original Issue Price"** shall mean $0.3099814 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series A Preferred Stock. The **"Series B Original Issue Price"** shall mean $0.826615 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series B Preferred Stock. The "**Series B-1 Original Issue Price**" shall mean $1.1872 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series B-1 Preferred Stock. The "**Series B-2 Original Issue Price**" shall mean $1.40301 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series B-2 Preferred Stock. The "**Series B-3 Original Issue Price**" shall mean $1.97462 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series B-3 Preferred Stock.

3. Liquidation, Dissolution or Winding Up; Certain Mergers, Consolidations and Asset Sales.

3.1 Payments to Holders of Preferred Stock. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation or Deemed Liquidation Event, the holders of shares of Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders before any payment shall be made to the holders of Common Stock by reason of their ownership thereof, an amount per share equal to (i) in the case of the Series A Preferred Stock, the greater of (A) the Series A Original Issue Price, plus any dividends declared but unpaid thereon, or (B) such amount per share as would have been payable had all shares of Series A Preferred Stock been converted into Common Stock pursuant to Section 5 immediately prior to such liquidation, dissolution or winding up or Deemed Liquidation Event (the amount payable pursuant to this sentence is hereinafter referred to as the "**Series A Liquidation Amount**"), (ii) in the case of Series B Preferred Stock, the greater of (A) the Series B Original Issue Price, plus any dividends declared but unpaid thereon, or (B) such amount per share as would have been payable had all shares of Series B Preferred Stock been converted into Common Stock pursuant to Section 5 immediately prior to such liquidation, dissolution or winding up or Deemed Liquidation Event (the amount payable pursuant to this sentence is hereinafter referred to as the "**Series B Liquidation Amount**"), (iii) in the case of Series B-1 Preferred Stock, the greater of (A) the Series B-1 Original Issue Price, plus any dividends declared but unpaid thereon, or (B) such amount per share as would have been payable had all shares of Series B-1 Preferred Stock been converted into Common Stock pursuant to Section 5 immediately prior to such liquidation, dissolution or winding up or Deemed Liquidation Event (the amount payable pursuant to this sentence is hereinafter referred to as the "**Series B-1 Liquidation Amount**"), (iv) in the case of Series B-2 Preferred Stock, the greater of (A) the Series B-2 Original Issue Price, plus any dividends declared but unpaid thereon, or (B) such amount per share as would have been payable had all shares of Series B-2 Preferred Stock been converted into Common Stock pursuant to Section 5 immediately prior to such liquidation, dissolution or winding up or Deemed Liquidation Event (the amount payable pursuant to this sentence is hereinafter referred to as the "**Series B-2 Liquidation Amount**"), and (iv) in the case of Series B-3 Preferred Stock, the greater of (A) the Series B-3 Original Issue Price, plus any dividends declared but unpaid thereon, or (B) such amount per share as would have

been payable had all shares of Series B-3 Preferred Stock been converted into Common Stock pursuant to Section 5 immediately prior to such liquidation, dissolution or winding up or Deemed Liquidation Event (the amount payable pursuant to this sentence is hereinafter referred to as the "**Series B-3 Liquidation Amount**"). Solely for purposes of determining the amount each holder of shares of any series of Preferred Stock is entitled to receive with respect to the foregoing sentence, the holder of each share of such series of Preferred Stock shall be treated as if such holder had converted such holder's shares of such series of Preferred Stock into shares of Common Stock immediately prior to the liquidation, dissolution or winding up of the Corporation if, as a result of an actual conversion of such series of Preferred Stock, such holder of such series of Preferred Stock would receive (with respect to the shares of such series of Preferred Stock), in the aggregate, an amount greater than the amount that would be distributed to holders of such series of Preferred Stock if such holders had not converted such series of Preferred Stock into shares of Common Stock. If upon any such liquidation, dissolution or winding up of the Corporation or Deemed Liquidation Event, the assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Preferred Stock the full amount to which they shall be entitled under this Subsection 3.1, the holders of shares of Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full, and no assets shall be distributed to the holders of Common Stock.

3.2 Payments to Holders of Common Stock. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation or Deemed Liquidation Event, after the payment of all preferential amounts required to be paid to the holders of shares of Preferred Stock, the remaining assets of the Corporation available for distribution to its stockholders shall be distributed among the holders of shares of Common Stock, pro rata based on the number of shares held by each such holder.

3.3 Deemed Liquidation Events.

3.3.1 Definition. Each of the following events shall be considered a "**Deemed Liquidation Event**" unless the holders of a majority of the outstanding shares of Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock, voting together as a single class on an as converted to Common Stock basis, elect otherwise by written notice sent to the Corporation at least (5) business days prior to the effective date of any such event:

(a) a merger or consolidation in which

(i) the Corporation is a constituent party or

(ii) a subsidiary of the Corporation is a constituent party and the Corporation issues shares of its capital stock pursuant to such merger or consolidation,

except any such merger or consolidation involving the Corporation or a subsidiary in which the shares of capital stock of the Corporation outstanding immediately prior to such merger or consolidation continue to represent, or are converted into or exchanged for shares of capital stock

that represent, immediately following such merger or consolidation, a majority, by voting power, of the capital stock of (1) the surviving or resulting corporation or (2) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation immediately following such merger or consolidation, the parent corporation of such surviving or resulting corporation (provided that, for the purpose of this Subsection 3.3.1, all shares of Common Stock issuable upon exercise of Options (as defined below) outstanding immediately prior to such merger or consolidation or upon conversion of Convertible Securities (as defined below) outstanding immediately prior to such merger or consolidation shall be deemed to be outstanding immediately prior to such merger or consolidation and, if applicable, converted or exchanged in such merger or consolidation on the same terms as the actual outstanding shares of Common Stock are converted or exchanged); or

(b) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Corporation or any subsidiary of the Corporation of all or substantially all the assets of the Corporation and its subsidiaries taken as a whole or the sale or disposition (whether by merger or otherwise) of one or more subsidiaries of the Corporation if substantially all of the assets of the Corporation and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Corporation.

3.3.2 Effecting a Deemed Liquidation Event.

(a) The Corporation shall not have the power to effect a Deemed Liquidation Event referred to in Subsection 3.3.1(a)(i) unless the agreement or plan of merger or consolidation for such transaction (the "**Merger Agreement**") provides that the consideration payable to the stockholders of the Corporation shall be allocated among the holders of capital stock of the Corporation in accordance with Subsections 3.1 and 3.2.

(b) In the event of a Deemed Liquidation Event referred to in Subsection 3.3.1(a)(ii) or 3.3.1(b), if the Corporation does not effect a dissolution of the Corporation under the General Corporation Law within 60 days after such Deemed Liquidation Event, then (i) the Corporation shall send a written notice to each holder of Preferred Stock no later than the 60th day after the Deemed Liquidation Event advising such holders of their right (and the requirements to be met to secure such right) pursuant to the terms of the following clause (ii) to require the redemption of such shares of Preferred Stock, and (ii) if the holders of a majority of the then outstanding shares of Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock, voting together as a single class on an as converted to Common Stock basis, so request in a written instrument delivered to the Corporation not later than 75 days after such Deemed Liquidation Event, the Corporation shall use the consideration received by the Corporation for such Deemed Liquidation Event (net of any retained liabilities associated with the assets sold or technology licensed, as determined in good faith by the Board of Directors of the Corporation), together with any other assets of the Corporation available for distribution to its stockholders (the "**Available Proceeds**"), to the extent legally available therefor, on the 120th day after such Deemed Liquidation Event (the "**Liquidation Redemption Date**"), to redeem (i) all outstanding shares of Series A Preferred Stock at a price per share equal to the Series A Liquidation Amount (the "**Series A Redemption Price**"), (ii) all outstanding shares of Series B Preferred Stock at a price per share equal to the Series B Liquidation Amount (the "**Series B Redemption Price**"), (iii) all outstanding shares of Series B-1 Preferred Stock at a price per share equal to the Series B-1 Liquidation Amount (the "**Series B-1 Redemption Price**"), (iii) all outstanding shares of Series B-2 Preferred Stock at a price per share equal to the Series B-2 Liquidation Amount (the "**Series B-2**

Redemption Price") and (iv) all outstanding shares of Series B-3 Preferred Stock at a price per share equal to the Series B-3 Liquidation Amount (the "**Series B-3 Redemption Price**"). In the event of a redemption pursuant to the preceding sentence (the "**Liquidation Redemption**"), if the Available Proceeds are not sufficient to redeem all outstanding shares of Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock, or if the Corporation does not have sufficient lawfully available funds to effect such redemption, the Corporation shall redeem the Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock on a pro rata basis in accordance with the priority and amounts of distributions as set forth in Section 3.1 above to the fullest extent of such Available Proceeds, or such lawfully available funds, as the case may be, and, where such redemption is limited by the amount of lawfully available funds, the Corporation shall redeem the remaining shares to have been redeemed as soon as practicable after the Corporation has funds legally available therefor. Written notice of the Liquidation Redemption (the "**Redemption Notice**") shall be sent to each holder of record of Preferred Stock not less than 20 days prior to Liquidation Redemption Date. The Redemption Notice shall state: (A) the number of shares and series of Preferred Stock held by the holder that the Corporation shall redeem on the Liquidation Redemption Date; (B) the Liquidation Redemption Date; (C) that the holder is to surrender to the Corporation, in the manner and the place designated, his, her or its certificate or certificates representing the shares of Preferred Stock to be redeemed. On or before the Liquidation Redemption Date, each holder of shares of Preferred Stock to be redeemed on such Liquidation Redemption Date shall surrender the certificate or certificates representing such shares (or if such registered holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation, in the manner and at the place designated in the Redemption Notice, and thereupon the Series A Redemption Price, Series B Redemption Price, Series B-1 Redemption Price, Series B-2 Redemption Price or Series B-3 Redemption Price, as the case may be, for such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof. In the event less than all of the shares of Preferred Stock represented by a certificate are redeemed, a new certificate representing the unredeemed shares of Preferred Stock shall promptly be issued to such holder. If the Redemption Notice shall have been duly given, and if on the Liquidation Redemption Date the Series A Redemption Price, Series B Redemption Price, Series B-1 Redemption Price, Series B-2 Redemption Price or Series B-3 Redemption Price, as the case may be, payable upon redemption of the shares of Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock or Series B-3 Preferred Stock, as the case may be, to be redeemed on such Liquidation Redemption Date is paid or tendered for payment or deposited with an independent payment agent so as to be available therefor, then notwithstanding that the certificates evidencing any of the shares of Preferred Stock shall have not been surrendered, dividends with respect to such shares of Preferred Stock shall cease to accrue after such Liquidation Redemption Date and all rights with respect to such shares shall forthwith after the Liquidation Redemption Date terminate, except only the right of the holders to receive the Series A Redemption Price, Series B Redemption Price, Series B-1 Redemption Price, Series B-2 Redemption Price or Series B-3 Redemption Price as the case may be, without interest upon surrender of their certificate or certificates therefor. Prior to the distribution or redemption provided for in this Subsection 3.3.2(b), the Corporation shall not expend or dissipate the consideration received for such Deemed Liquidation Event, except to discharge expenses incurred in connection with such Deemed Liquidation Event or in the ordinary course of business.

3.3.3 Amount Deemed Paid or Distributed. The amount deemed paid or distributed to the holders of capital stock of the Corporation upon any such merger, consolidation, sale, transfer, exclusive license, other disposition or redemption shall be the cash or the value of the property, rights or securities paid or distributed to such holders by the Corporation or the acquiring person, firm or other entity. The value of such property, rights or securities shall be determined in good faith by the Board of Directors of the Corporation.

4. Voting.

4.1 General. On any matter presented to the stockholders of the Corporation for their action or consideration at any meeting of stockholders of the Corporation (or by written consent of stockholders in lieu of meeting), each holder of outstanding shares of Preferred Stock shall be entitled to cast the number of votes equal to the number of whole shares of Common Stock into which the shares of Preferred Stock held by such holder are convertible as of the record date for determining stockholders entitled to vote on such matter. Except as provided by law or by the other provisions of the Certificate of Incorporation, holders of Preferred Stock shall vote together with the holders of Common Stock as a single class.

4.2 Election of Directors. The Corporation shall have five (5) directors. The holders of record of the shares of Series A Preferred Stock, exclusively and as a separate class, shall be entitled to elect one (1) director of the Corporation (the "**Series A Director**"), the holders of record of the shares of Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock, and Series B-3 Preferred Stock exclusively and voting together as a single class on an as converted into Common Stock basis, shall be entitled to elect one (1) director of the Corporation (the "**Series B Director**"), the holders of record of the shares of Common Stock, exclusively and as a separate class, shall be entitled to elect two (2) directors of the Corporation (the "**Common Stock Directors**"). Any director elected as provided in the preceding sentence may be removed without cause by, and only by, the affirmative vote of the holders of the shares of the class or series of capital stock entitled to elect such director or directors, given either at a special meeting of such stockholders duly called for that purpose or pursuant to a written consent of stockholders. All elections of directors shall be by vote of the majority of the class or series entitled to elect such director (including the filling of any vacancy as provided below, either by vote at a meeting or by written consent in lieu of a meeting). If the holders of shares of the Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock, Series B-3 Preferred Stock or Common Stock, as the case may be, fail to elect a sufficient number of directors to fill all directorships for which they are entitled to elect directors, voting exclusively, pursuant to the second sentence of this Subsection 4.2, then any directorship not so filled shall remain vacant until such time as the holders of Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock, Series B-3 Preferred Stock or Common Stock, as the case may be, elect a person to fill such directorship by vote or written consent in lieu of a meeting; and no such directorship may be filled by stockholders of the Corporation other than by the stockholders of the Corporation that are entitled to elect a person to fill such directorship, voting exclusively. The holders of record of the shares of Common Stock and Preferred Stock, each voting as a separate class, shall be entitled to elect the balance of the total number of directors of the Corporation. At any meeting held for the purpose of electing a director, the presence in person or by proxy of the holders of a majority of the outstanding shares of the class or classes or series entitled to elect such director shall constitute a quorum for the purpose of electing such director. Except as otherwise provided in this Subsection 4.2, a vacancy in any directorship filled by the holders of any class or series shall be filled only by vote or written consent in lieu of a meeting of the holders of such class or series or by any remaining director or directors elected by the

holders of such class or series pursuant to this Subsection 4.2. The rights of the holders of the Series A Preferred Stock under the second sentence of this Subsection 4.2 shall terminate on the first date following the Series B-2 Original Issue Date (as defined below) on which there are no issued and outstanding shares of Series A Preferred Stock. The rights of the holders of the Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and B-3 Preferred Stock under the second sentence of this Subsection 4.2 shall terminate on the first date following the Series B-2 Original Issue Date (as defined below) on which there are no issued and outstanding Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock or B-3 Preferred Stock. The rights of the holders of the Preferred Stock and the rights of the holders of the Common Stock under the second sentence of this Subsection 4.2 shall also terminate effective upon the closing of a Qualified Public Offering (as defined in Subsection 6.1(a)).

4.3 Preferred Stock Protective Provisions. At any time when shares of Preferred Stock are outstanding, the Corporation shall not, either directly or indirectly by amendment, merger, consolidation or otherwise, do any of the following without (in addition to any other vote required by law or the Certificate of Incorporation) the written consent or affirmative vote of the holders of a majority of the then outstanding shares of Preferred Stock, voting together as a single class, on an as converted to Common Stock basis, given in writing or by vote at a meeting, consenting or voting (as the case may be) and any such act or transaction entered into without such consent or vote shall be null and void ab initio, and of no force or effect:

(a) alters or changes the rights, preferences or privileges of the Preferred Stock;

(b) liquidate, dissolve or wind-up the business and affairs of the Corporation, effect any Deemed Liquidation Event, or consent to any of the foregoing;

(c) amend, alter or repeal any provision of the Certificate of Incorporation or Bylaws of the Corporation in a manner that adversely affects the powers, preferences or rights of the Preferred Stock;

(d) create, or authorize the creation of, any additional class or series of capital stock unless the same ranks junior to the Preferred Stock with respect to the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends and redemption rights, or increase the authorized number of shares of Preferred Stock or increase the authorized number of shares of any additional class or series of capital stock unless the same ranks junior to the Preferred Stock with respect to the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends and redemption rights;

(e) purchase or redeem (or permit any subsidiary to purchase or redeem) or pay or declare any dividend or make any distribution on, any shares of capital stock of the Corporation other than (i) redemptions of or dividends or distributions on the Preferred Stock as expressly authorized herein, (ii) dividends or other distributions payable on the Common Stock solely in the form of additional shares of Common Stock and (iii) repurchases of stock from former employees, officers, directors, consultants or other persons who performed services for the Corporation or any subsidiary in connection with the cessation of such employment or service pursuant to the terms of restricted stock purchase agreements approved by the Board of Directors;

(f) increase or decrease the authorized number of directors constituting the Board of Directors;

(g) authorizes the payment of a dividend to any holders of any class or series of capital stock;

(h) results in the transfer of material assets of the Corporation to any person other than a wholly owned subsidiary of the Corporation; or

(i) file a petition under any bankruptcy or insolvency law.

5. Optional Conversion. The holders of the Preferred Stock shall have conversion rights as follows (the "**Conversion Rights**"):

5.1 Right to Convert.

5.1.1 Conversion Ratio. Each share of Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock shall be convertible, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing (i) in the case of Series A Preferred Stock, the Series A Original Issue Price by the Series A Conversion Price (as defined below) in effect at the time of conversion, (ii) in the case of Series B Preferred Stock, the Series B Original Issue Price by the Series B Conversion Price (as defined below) in effect at the time of conversion, (iii) in the case of Series B-1 Preferred Stock, the Series B-1 Original Issue Price by the Series B-1 Conversion Price (as defined below) in effect at the time of conversion, (iv) in the case of Series B-2 Preferred Stock, the Series B-2 Original Issue Price by the Series B-2 Conversion Price (as defined below) in effect at the time of conversion and (v) in the case of Series B-3 Preferred Stock, the Series B-3 Original Issue Price by the Series B-3 Conversion Price (as defined below) in effect at the time of conversion. The **"Series A Conversion Price"** shall initially be equal to $0.3099814. The "**Series B Conversion Price**" shall be initially equal to $0.826615. The "**Series B-1 Conversion Price**" shall be initially equal to $1.1872. The "**Series B-2 Conversion Price**" shall be initially equal to $1.40301. The "**Series B-3 Conversion Price**" shall be initially equal to $1.97462. Such initial Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price and Series B-3 Conversion Price, and the rate at which shares of Preferred Stock may be converted into shares of Common Stock, shall be subject to adjustment as provided below.

5.1.2 Termination of Conversion Rights. In the event of a liquidation, dissolution or winding up of the Corporation or a Deemed Liquidation Event, the Conversion Rights shall terminate at the close of business on the last full day preceding the date fixed for the payment of any such amounts distributable on such event to the holders of Preferred Stock.

5.2 Fractional Shares. No fractional shares of Common Stock shall be issued upon conversion of the Preferred Stock. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the fair market value of a share of Common Stock as determined in good faith by the Board of Directors of the Corporation. Whether or not fractional shares would be issuable upon such conversion shall be determined on the basis of the total number of shares of Preferred Stock the holder holds at the time converting into Common Stock and the aggregate number of shares of Common Stock issuable upon such conversion.

5.3 Mechanics of Conversion.

5.3.1 Notice of Conversion. In order for a holder of Preferred Stock to voluntarily convert shares of Preferred Stock into shares of Common Stock, such holder shall, if such holder's shares are certificated, surrender the certificate or certificates for such shares of Preferred Stock (or, if such registered holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate), at the office of the transfer agent for the Preferred Stock (or at the principal office of the Corporation if the Corporation serves as its own transfer agent), together with written notice that such holder elects to convert all or any number of the shares of the Preferred Stock represented by such certificate or certificates and, if applicable, any event on which such conversion is contingent. Such notice shall state such holder's name or the names of the nominees in which such holder wishes the shares of Common Stock to be issued. If required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by a written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or his, her or its attorney duly authorized in writing. The close of business on the date of receipt by the transfer agent (or by the Corporation if the Corporation serves as its own transfer agent) of such notice and if, applicable, certificates (or lost certificate affidavit and agreement) shall be the time of conversion (the "**Conversion Time**"), and the shares of Common Stock issuable upon conversion of the specified shares shall be deemed to be outstanding of record as of such date. The Corporation shall, as soon as practicable after the Conversion Time, issue and deliver to such holder of Preferred Stock, or to his, her or its nominees, a certificate or certificates for the number of full shares of Common Stock issuable upon such conversion in accordance with the provisions hereof, a certificate for the number (if any) of the shares of Preferred Stock represented by the surrendered certificate that were not converted into Common Stock, and cash as provided in Subsection 5.2 in lieu of any fraction of a share of Common Stock otherwise issuable upon such conversion and payment of any declared but unpaid dividends on the shares of Preferred Stock converted.

5.3.2 Reservation of Shares. The Corporation shall at all times when the Preferred Stock shall be outstanding, reserve and keep available out of its authorized but unissued capital stock, for the purpose of effecting the conversion of the Preferred Stock, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Preferred Stock, the Corporation shall take such corporate action as may be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite stockholder approval of any necessary amendment to the Certificate of Incorporation. Before taking any action which would cause an adjustment reducing the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price, as the case may be, below the then par value of the shares of Common Stock issuable upon conversion of the Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock or Series B-3 Preferred Stock, as the case may be, the Corporation will take any corporate action which may, in the opinion of its counsel, be necessary in order that the Corporation may validly and legally issue fully paid and nonassessable shares of Common Stock at such adjusted Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price.

5.3.3 Effect of Conversion. All shares of Preferred Stock which shall have been surrendered for conversion as herein provided shall no longer be deemed to be outstanding and all rights with respect to such shares shall immediately cease and terminate at the Conversion Time, except only the right of the holders thereof to receive shares of Common Stock in exchange therefor and to receive payment of any dividends declared but unpaid thereon. Any shares of Preferred Stock so converted shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of shares of Preferred Stock accordingly.

5.3.4 No Further Adjustment. Upon any such conversion, no adjustment to the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price, as the case may be, shall be made for any declared but unpaid dividends on the Preferred Stock surrendered for conversion or on the Common Stock delivered upon conversion.

5.3.5 Taxes. The Corporation shall pay any and all issue and other similar taxes that may be payable in respect of any issuance or delivery of shares of Common Stock upon conversion of shares of Preferred Stock pursuant to this Section 5. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of shares of Common Stock in a name other than that in which the shares of Preferred Stock so converted were registered, and no such issuance or delivery shall be made unless and until the person or entity requesting such issuance has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

5.4 Adjustments to Conversion Price for Diluting Issues.

5.4.1 Special Definitions. For purposes of this Article Fourth, the following definitions shall apply:

(a) "**Option**" shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock or Convertible Securities.

(b) "**Series B-3 Original Issue Date**" shall mean the date on which the first share of Series B-3 Preferred Stock was issued.

(c) "**Convertible Securities**" shall mean any evidences of indebtedness, shares or other securities directly or indirectly convertible into or exchangeable for Common Stock, but excluding Options.

(d) "**Additional Shares of Common Stock**" shall mean all shares of Common Stock issued (or, pursuant to Subsection 5.4.3 below, deemed to be issued) by the Corporation after the Series B-3 Original Issue Date, other than the following shares of Common Stock, and shares of Common Stock deemed issued pursuant to the following Options and Convertible Securities (collectively "**Exempted Securities**"):

(i) shares of Common Stock, Options or Convertible Securities issued as a dividend or distribution on Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock;

(ii) shares of Common Stock, Options or Convertible Securities issued by reason of a dividend, stock split, split-up or other distribution on shares of Common Stock that is covered by Subsection 5.5, 5.6, 5.7 or 5.8;

(iii) up to 14,335,931 shares of Common Stock or Options (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization affecting such shares) issued to employees or directors of, or consultants or advisors to, the Corporation or any of its subsidiaries pursuant to the Corporation's 2007 Stock Incentive Plan unless approved by the Board of Directors of the Corporation, including approval by the Series A Director and the Series B Director;

(iv) shares of Common Stock or Convertible Securities actually issued upon the exercise of Options or shares of Common Stock actually issued upon the conversion or exchange of Convertible Securities, in each case provided such issuance is pursuant to the terms of such Option or Convertible Security;

(v) shares of Common Stock, Options or Convertible Securities issued to banks, equipment lessors or other financial institutions, or to real property lessors, pursuant to a debt financing, equipment leasing or real property leasing transaction approved by the Board of Directors of the Corporation; and

(vi) shares of Common Stock, Options or Convertible Securities issued in connection with sponsored research, collaboration, technology license, development, OEM, marketing or other similar agreements or strategic partnerships approved by the Board of Directors of the Corporation.

5.4.2 No Adjustment of Conversion Price. No adjustment in the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price, shall be made as the result of the issuance or deemed issuance of Additional Shares of Common Stock if the Corporation receives written notice from the holders of a majority of the then outstanding shares of the applicable series of Preferred Stock, agreeing that no such adjustment shall be made as the result of the issuance or deemed issuance of such Additional Shares of Common Stock.

5.4.3 Deemed Issue of Additional Shares of Common Stock.

(a) If the Corporation at any time or from time to time after the Series B-3 Original Issue Date shall issue any Options or Convertible Securities (excluding Options or Convertible Securities which are themselves Exempted Securities) or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then the maximum number of shares of Common Stock (as set forth in the instrument relating thereto, assuming the satisfaction of any conditions to exercisability, convertibility or exchangeability but without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities, shall be deemed to be Additional Shares of Common Stock issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date.

(b) If the terms of any Option or Convertible Security, the issuance of which resulted in an adjustment to the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price, or Series B-3 Conversion Price, as applicable (each a "**Conversion Price**"), pursuant to the terms of Subsection 5.4.4, are revised as a result of an amendment to such terms or any other adjustment pursuant to the provisions of such Option or Convertible Security (but excluding automatic adjustments to such terms pursuant to anti-dilution or similar provisions of such Option or Convertible Security) to provide for either (1) any increase or decrease in the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any such Option or Convertible Security or (2) any increase or

decrease in the consideration payable to the Corporation upon such exercise, conversion and/or exchange, then, effective upon such increase or decrease becoming effective, the Conversion Price computed upon the original issue of such Option or Convertible Security (or upon the occurrence of a record date with respect thereto) shall be readjusted to such Conversion Price as would have obtained had such revised terms been in effect upon the original date of issuance of such Option or Convertible Security. Notwithstanding the foregoing, no readjustment pursuant to this clause (b) shall have the effect of increasing the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price, as applicable, to an amount which exceeds the lower of (i) the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price, as applicable, in effect immediately prior to the original adjustment made as a result of the issuance of such Option or Convertible Security, or (ii) the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price, as applicable, that would have resulted from any issuances of Additional Shares of Common Stock (other than deemed issuances of Additional Shares of Common Stock as a result of the issuance of such Option or Convertible Security) between the original adjustment date and such readjustment date.

(c) If the terms of any Option or Convertible Security (excluding Options or Convertible Securities which are themselves Exempted Securities), the issuance of which did not result in an adjustment to the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price, as applicable, pursuant to the terms of Subsection 5.4.4 (either because the consideration per share (determined pursuant to Subsection 5.4.5) of the Additional Shares of Common Stock subject thereto was equal to or greater than the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price, as applicable, then in effect, or because such Option or Convertible Security was issued before the Series B-3 Original Issue Date), are revised after the Series B-3 Original Issue Date as a result of an amendment to such terms or any other adjustment pursuant to the provisions of such Option or Convertible Security (but excluding automatic adjustments to such terms pursuant to anti-dilution or similar provisions of such Option or Convertible Security in effect prior to the Series B-3 Original Issue Date) to provide for either (1) any increase or decrease in the number of shares of Common Stock issuable upon the exercise, conversion or exchange of any such Option or Convertible Security or (2) any increase or decrease in the consideration payable to the Corporation upon such exercise, conversion or exchange, then such Option or Convertible Security, as so amended or adjusted, and the Additional Shares of Common Stock subject thereto (determined in the manner provided in Subsection 5.4.3(a)) shall be deemed to have been issued effective upon such increase or decrease becoming effective.

(d) Upon the expiration or termination of any unexercised Option or unconverted or unexchanged Convertible Security (or portion thereof) which resulted (either upon its original issuance or upon a revision of its terms) in an adjustment to the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price as applicable, pursuant to the terms of Subsection 5.4.4, the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price, as applicable, shall be readjusted to such Conversion Price as would have obtained had such Option or Convertible Security (or portion thereof) never been issued.

(e) If the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any Option or Convertible Security, or the consideration

payable to the Corporation upon such exercise, conversion and/or exchange, is calculable at the time such Option or Convertible Security is issued or amended but is subject to adjustment based upon subsequent events, any adjustment to the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price, as applicable, provided for in this Subsection 5.4.3 shall be effected at the time of such issuance or amendment based on such number of shares or amount of consideration without regard to any provisions for subsequent adjustments (and any subsequent adjustments shall be treated as provided in clauses (b) and (c) of this Subsection 5.4.3). If the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any Option or Convertible Security, or the consideration payable to the Corporation upon such exercise, conversion and/or exchange, cannot be calculated at all at the time such Option or Convertible Security is issued or amended, any adjustment to the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price, as applicable, that would result under the terms of this Subsection 5.4.3 at the time of such issuance or amendment shall instead be effected at the time such number of shares and/or amount of consideration is first calculable (even if subject to subsequent adjustments), assuming for purposes of calculating such adjustment to the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price, as applicable, that such issuance or amendment took place at the time such calculation can first be made.

5.4.4 Adjustment of Conversion Price Upon Issuance of Additional Shares of Common Stock. In the event the Corporation shall at any time after the Series B-3 Original Issue Date issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to Subsection 5.4.3), without consideration or for a consideration per share less than Conversion Price with respect to any series of Preferred Stock in effect immediately prior to such issue, then the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price, as applicable, shall be reduced, concurrently with such issue, to a price (calculated to the nearest one-hundredth of a cent) determined in accordance with the following formula:

$$CP_2 = CP_1 \times (A + B) \div (A + C).$$

For purposes of the foregoing formula, the following definitions shall apply:

(a) "CP_2" shall mean the Conversion Price in effect immediately after such issue of Additional Shares of Common Stock;

(b) "CP_1" shall mean the Conversion Price in effect immediately prior to such issue of Additional Shares of Common Stock;

(c) "A" shall mean the number of shares of Common Stock outstanding immediately prior to such issue of Additional Shares of Common Stock (treating for this purpose as outstanding all shares of Common Stock reserved for issuance under the Corporation's stock incentive plan, whether or not subject to outstanding Options, or upon conversion or exchange of Convertible Securities (including the Preferred Stock) outstanding (assuming exercise of any outstanding Options therefor) immediately prior to such issue);

(d) “B” shall mean the number of shares of Common Stock that would have been issued if such Additional Shares of Common Stock had been issued at a price per share equal to CP_1 (determined by dividing the aggregate consideration received by the Corporation in respect of such issue by CP_1); and

(e) “C” shall mean the number of such Additional Shares of Common Stock issued in such transaction.

5.4.5 Determination of Consideration. For purposes of this Subsection 5.4, the consideration received by the Corporation for the issue of any Additional Shares of Common Stock shall be computed as follows:

(a) Cash and Property: Such consideration shall:

(i) insofar as it consists of cash, be computed at the aggregate amount of cash received by the Corporation, excluding amounts paid or payable for accrued interest;

(ii) insofar as it consists of property other than cash, be computed at the fair market value thereof at the time of such issue, as determined in good faith by the Board of Directors of the Corporation; and

(iii) in the event Additional Shares of Common Stock are issued together with other shares or securities or other assets of the Corporation for consideration which covers both, be the proportion of such consideration so received, computed as provided in clauses (i) and (ii) above, as determined in good faith by the Board of Directors of the Corporation.

(b) Options and Convertible Securities. The consideration per share received by the Corporation for Additional Shares of Common Stock deemed to have been issued pursuant to Subsection 5.4.3, relating to Options and Convertible Securities, shall be determined by dividing:

(i) the total amount, if any, received or receivable by the Corporation as consideration for the issue of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Corporation upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, by

(ii) the maximum number of shares of Common Stock (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities.

5.4.6 Multiple Closing Dates. In the event the Corporation shall issue on more than one date Additional Shares of Common Stock that are a part of one transaction or a series of related transactions and that would result in an adjustment to the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price, as applicable, pursuant to the terms of Subsection 5.4.4 then, upon the final such issuance, such Conversion Price shall be readjusted to give effect to all such issuances as if they occurred on the date of the first such issuance (and without giving effect to any additional adjustments as a result of any such subsequent issuances within such period).

5.5 Adjustment for Stock Splits and Combinations. If the Corporation shall at any time or from time to time after the Series B-3 Original Issue Date effect a subdivision of the outstanding Common Stock, the Conversion Price for any series of Preferred Stock in effect immediately before that subdivision shall be proportionately decreased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be increased in proportion to such increase in the aggregate number of shares of Common Stock outstanding. If the Corporation shall at any time or from time to time after the Series B-3 Original Issue Date combine the outstanding shares of Common Stock, the Conversion Price for any series of Preferred Stock in effect immediately before the combination shall be proportionately increased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be decreased in proportion to such decrease in the aggregate number of shares of Common Stock outstanding. Any adjustment under this subsection shall become effective at the close of business on the date the subdivision or combination becomes effective.

5.6 Adjustment for Certain Dividends and Distributions. In the event the Corporation at any time or from time to time after the Series B-3 Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable on the Common Stock in additional shares of Common Stock, then and in each such event the Conversion Price for any series of Preferred Stock in effect immediately before such event shall be decreased as of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date, by multiplying the Conversion Price then in effect by a fraction:

(1) the numerator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and

(2) the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution.

Notwithstanding the foregoing, (a) if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter the Conversion Price shall be adjusted pursuant to this subsection as of the time of actual payment of such dividends or distributions; and (b) that no such adjustment shall be made if the holders of Preferred Stock simultaneously receive a dividend or other distribution of shares of Common Stock in a number equal to the number of shares of Common Stock as they would have received if all outstanding shares of Preferred Stock had been converted into Common Stock on the date of such event.

5.7 Adjustments for Other Dividends and Distributions. In the event the Corporation at any time or from time to time after the Series B-3 Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in securities of the Corporation (other than a distribution of shares of Common Stock in respect of outstanding shares of Common Stock) or in other property and the provisions of Section 2 do not apply to such dividend or distribution, then and in each such event the holders of Preferred Stock shall receive, simultaneously with the distribution to the holders of Common Stock, a dividend or other distribution of such securities or other property in an amount equal to the amount of such securities or other property as they would have received if all outstanding shares of Preferred Stock had been converted into Common Stock on the date of such event.

5.8 Adjustment for Merger or Reorganization, etc. Subject to the provisions of Subsection 3.3, if there shall occur any reorganization, recapitalization, reclassification, consolidation or merger involving the Corporation in which the Common Stock (but not the Preferred Stock) is converted into or exchanged for securities, cash or other property (other than a transaction covered by Subsections 5.4, 5.6 or 5.7), then, following any such reorganization, recapitalization, reclassification, consolidation or merger, each share of Preferred Stock shall thereafter be convertible in lieu of the Common Stock into which it was convertible prior to such event into the kind and amount of securities, cash or other property which a holder of the number of shares of Common Stock of the Corporation issuable upon conversion of one share of Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock or Series B-3 Preferred Stock, as applicable, immediately prior to such reorganization, recapitalization, reclassification, consolidation or merger would have been entitled to receive pursuant to such transaction; and, in such case, appropriate adjustment (as determined in good faith by the Board of Directors of the Corporation) shall be made in the application of the provisions in this Section 5 with respect to the rights and interests thereafter of the holders of the Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock, as applicable, to the end that the provisions set forth in this Section 5 (including provisions with respect to changes in and other adjustments of the Series A Conversion Price, Series B Conversion Price,

Series B-1 Conversion Price, Series B-2 Conversion Price and Series B-3 Conversion Price, as applicable) shall thereafter be applicable, as nearly as reasonably may be, in relation to any securities or other property thereafter deliverable upon the conversion of the Preferred Stock.

5.9 Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the Series A Conversion Price, Series B Conversion Price, Series B-1 Conversion Price, Series B-2 Conversion Price or Series B-3 Conversion Price, as applicable, pursuant to this Section 5, the Corporation at its expense shall, as promptly as reasonably practicable but in any event not later than ten (10) business days thereafter, compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock, as applicable, a certificate setting forth such adjustment or readjustment (including the kind and amount of securities, cash or other property into which the Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock as applicable, is convertible) and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, as promptly as reasonably practicable after the written request at any time of any holder of Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock (but in any event not later than ten (10) business days thereafter), furnish or cause to be furnished to such holder a certificate setting forth (i) the applicable Conversion Price then in effect, and (ii) the number of shares of Common Stock and the amount, if any, of other securities, cash or property which then would be received upon the conversion of Preferred Stock.

5.10 Notice of Record Date. In the event:

(a) the Corporation shall take a record of the holders of its Common Stock (or other capital stock or securities at the time issuable upon conversion of the Preferred Stock) for the purpose of entitling or enabling them to receive any dividend or other distribution, or to receive any right to subscribe for or purchase any shares of capital stock of any class or any other securities, or to receive any other security; or

(b) of any capital reorganization of the Corporation, any reclassification of the Common Stock of the Corporation, or any Deemed Liquidation Event; or

(c) of the voluntary or involuntary dissolution, liquidation or winding-up of the Corporation,

then, and in each such case, the Corporation will send or cause to be sent to the holders of the Preferred Stock a notice specifying, as the case may be, (i) the record date for such dividend, distribution or right, and the amount and character of such dividend, distribution or right, or (ii) the effective date on which such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up is proposed to take place, and the time, if any is to be fixed, as of which the holders of record of Common Stock (or such other capital stock or securities at the time issuable upon the conversion of the Preferred Stock) shall be entitled to exchange their shares of Common Stock (or such other capital stock or securities) for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up, and the amount per share and character of such exchange applicable to the Preferred Stock and the Common Stock. Such notice shall be sent at least ten (10) business days prior to the record date or effective date for the event specified in such notice.

6. Mandatory Conversion.

6.1 Trigger Events. Upon either (a) the closing of the sale of shares of Common Stock to the public at a price of at least $4.207 per share (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Common Stock), in a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, resulting in at least $40,000,0000 of gross proceeds to the Corporation (a "**Qualified Public Offering"**) or (b) the date and time, or the occurrence of an event, specified by vote or written consent of the holders of a majority of the then outstanding shares of Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock voting together as a single class on an as converted to Common Stock basis (the time of such closing or the date and time specified or the time of the event specified in such vote or written consent is referred to herein as the "**Mandatory Conversion Time**"), (i) all outstanding shares of Preferred Stock shall automatically be converted into shares of Common Stock, at the then effective conversion rate and (ii) such shares may not be reissued by the Corporation, provided however, if the Mandatory Conversion Time is not being exercised in connection with or anticipation of an initial public offering of Common Stock of the Corporation (including, but not limited to, a Qualified Public Offering), the Series B-3 Preferred Stock shall not be converted into Common Stock without (in addition to any other vote required by law or the Certificate of Incorporation) the written consent or affirmative vote of the holders of a majority of the then outstanding shares of Series B-3 Preferred Stock, given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a class.

6.2 Procedural Requirements. All holders of record of shares of Preferred Stock shall be sent written notice of the Mandatory Conversion Time and the place designated for mandatory conversion of all such shares of Preferred Stock pursuant to this Section 6. Such notice need not be sent in advance of the occurrence of the Mandatory Conversion Time. Upon receipt of such notice, each holder of shares of Preferred Stock in certificated form shall surrender his, her or its certificate or certificates for all such shares (or, if such holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation at the place designated in such notice. If so required by the Corporation, any certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or by his, her or its attorney duly authorized in writing. All rights with respect to the Preferred Stock converted pursuant to Section 6.1, including the rights, if any, to receive notices and vote (other than as a holder of Common Stock), will terminate at the Mandatory Conversion Time (notwithstanding the failure of the holder or holders thereof to surrender the certificates at or prior to such time), except only the rights of the holders thereof, upon surrender of their certificate or certificates (or lost certificate affidavit and agreement) therefor, to receive the items provided for in the next sentence of this Subsection 6.2. As soon as practicable after the Mandatory Conversion Time, and if applicable, the surrender of the certificate or certificates (or lost certificate affidavit and agreement) for Preferred Stock, the Corporation shall (a) issue and deliver to such holder, or to his, her or its nominees, a certificate or certificates for the number of full shares of Common Stock issuable on such conversion in accordance with the provisions hereof, and (b) pay cash as provided in Subsection 5.2 in lieu of any fraction of a share of Common Stock otherwise issuable upon such conversion and the payment of any declared but unpaid dividends on the shares of Preferred Stock converted. Such converted Preferred Stock shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of shares of Preferred Stock accordingly.

7. Redemption. The Preferred Stock is not redeemable except in accordance with the Deemed Liquidation provisions of Subsection 4.3.2(b).

8. Waiver.

Any of the rights, powers, preferences and other terms of the Series A Preferred Stock set forth herein may be waived on behalf of all holders of Series A Preferred Stock by the affirmative written consent or vote in writing of the holders of a majority of the shares of Series A Preferred Stock then outstanding.

Except for the rights, powers, preferences of the holders of Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock as set forth in Sections 5.4.2, 5.4.4 and 6.1(b), any of the rights, powers, preferences and other terms of the Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock or Series B-3 Preferred Stock set forth herein may be waived on behalf of all holders of Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock by the affirmative written consent or vote in writing of the holders of a majority of the shares of Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock then outstanding, voting together as a single class on an as converted into Common Stock basis.

Any of the rights, powers, preferences and other terms of the Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock or Series B-3 Preferred Stock set forth in Sections 5.4.2 or 5.4.4 may only be waived on behalf of all holders of the applicable series of Preferred Stock by the affirmative written consent or vote in writing of the holders of a majority of the shares of Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock or Series B-3 Preferred Stock, as applicable, then outstanding.

Any of the rights, powers, preferences and other terms of the Series B-3 Preferred Stock set forth in Section 6.1(b) may only be waived on behalf of all holders of Series B-3 Preferred Stock by the affirmative written consent or vote in writing of the holders of a majority of the shares of Series B-3 Preferred Stock then outstanding.

9. Notices. Any notice required or permitted by the provisions of this Article Fourth to be given to a holder of shares of Preferred Stock shall be mailed, postage prepaid, to the post office address last shown on the records of the Corporation, or given by electronic communication in compliance with the provisions of the General Corporation Law, and shall be deemed sent upon such mailing or electronic transmission.

Fifth: Subject to any additional vote required by the Certificate of Incorporation or Bylaws, in furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, repeal, alter, amend and rescind any or all of the Bylaws of the Corporation.

Sixth: Subject to any additional vote required by the Certificate of Incorporation, the number of directors of the Corporation shall be determined in the manner set forth in the Bylaws of the Corporation.

Seventh: Elections of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide.

Eighth: Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws of the Corporation may provide. The books of the Corporation may be kept outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

Ninth: To the fullest extent permitted by law, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. If the General Corporation Law or any other law of the State of Delaware is amended after approval by the stockholders of this Article Ninth to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law as so amended.

Any repeal or modification of the foregoing provisions of this Article Ninth by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of, or increase the liability of any director of the Corporation with respect to any acts or omissions of such director occurring prior to, such repeal or modification.

Tenth: To the fullest extent permitted by applicable law, the Corporation is authorized to provide indemnification of (and advancement of expenses to) directors, officers and agents of the

Corporation (and any other persons to which General Corporation Law permits the Corporation to provide indemnification) through Bylaw provisions, agreements with such agents or other persons, vote of stockholders or disinterested directors or otherwise, in excess of the indemnification and advancement otherwise permitted by Section 145 of the General Corporation Law.

Any amendment, repeal or modification of the foregoing provisions of this Article Tenth shall not adversely affect any right or protection of any director, officer or other agent of the Corporation existing at the time of such amendment, repeal or modification.

Eleventh: For purposes of Section 500 of the California Corporations Code (to the extent applicable), in connection with any repurchase of shares of Common Stock permitted under this Certificate of Incorporation from employees, officers, directors or consultants of the Company in connection with a termination of employment or services pursuant to agreements or arrangements approved by the Board of Directors (in addition to any other consent required under this Certificate of Incorporation), such repurchase may be made without regard to any "preferential dividends arrears amount" or "preferential rights amount" (as those terms are defined in Section 500 of the California Corporations Code). Accordingly, for purposes of making any calculation under California Corporations Code Section 500 in connection with such repurchase, the amount of any "preferential dividends arrears amount" or "preferential rights amount" (as those terms are defined therein) shall be deemed to be zero (0).

Exhibit 3.2

CERTIFICATE OF AMENDMENT
TO
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
APPFOLIO, INC.

The undersigned does hereby certify on behalf of AppFolio, Inc., a corporation organized and existing under the laws of the State of Delaware (the "**Corporation**"), as follows:

1. The undersigned is the duly elected and acting President and Chief Executive Officer of the Corporation.

2. The Amended and Restated Certificate of Incorporation was originally filed with the Secretary of State of the State of Delaware on November 26, 2013.

3. This Certificate of Amendment to Amended and Restated Certificate of Incorporation was duly adopted in accordance with Section 242 of the General Corporation Law of the State of Delaware and further amends the provisions of the Corporation's Amended and Restated Certificate of Incorporation, as currently in effect.

4. The first paragraph of ARTICLE 4 of the Corporation's Amended and Restated Certificate of Incorporation is to be amended and restated in its entirety as follows:

> "The total number of shares of all classes of stock which the Corporation shall have authority to issue is (i) 123,000,000 shares of Common Stock, $0.0001 par value per share ("**Common Stock**"), and (ii) 68,026,659 shares of Preferred Stock, $0.0001 par value per share ("**Preferred Stock**"). The following is a statement of the designations and the powers, privileges and rights, and the qualifications, limitations or restrictions thereof in respect of each class of capital stock of the Corporation"

5. The holders of the necessary number of shares of capital stock of the Corporation gave their written consent in favor of the foregoing amendment in accordance with the provisions of Section 228 of the Delaware General Corporation Law.

IN WITNESS WHEREOF, AppFolio, Inc. has caused this Certificate of Amendment to Amended and Restated Certificate of Incorporation to be signed by the undersigned, a duly authorized officer of the Corporation, on September 5, 2014.

/s/ Brian Donahoo
Brian Donahoo
President & Chief Executive Officer

Exhibit 3.3

CERTIFICATE OF AMENDMENT
TO
AMENDED AND RESTATED CERTIFICATE OF INCORPORATION
OF
APPFOLIO, INC.

The undersigned does hereby certify on behalf of AppFolio, Inc., a corporation organized and existing under the laws of the State of Delaware (the "**Corporation**"), as follows:

1. The undersigned is the duly elected and acting President and Chief Executive Officer of the Corporation.

2. The Amended and Restated Certificate of Incorporation was originally filed with the Secretary of State of the State of Delaware on November 26, 2013 and amended by a Certificate of Amendment filed on September 5, 2014.

3. This Certificate of Amendment to Amended and Restated Certificate of Incorporation was duly adopted in accordance with Section 242 of the General Corporation Law of the State of Delaware and further amends the provisions of the Corporation's Amended and Restated Certificate of Incorporation, as currently in effect.

4. That ARTICLE 4 of the Corporation's Amended and Restated Certificate of Incorporation is hereby amended to add the following provision as follows:

"Effective immediately upon the filing of this Certificate of Amendment to Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware (the "**Effective Time**"), every one (1) share of Common Stock then issued and outstanding or held in the treasury of the Corporation immediately prior to the Effective Time (the "**Old Common Stock**") shall automatically be reclassified and changed (without any further action by the stockholders or any other person) into 0.25 fully paid and nonassessable shares of Common Stock (the "**Reverse Stock Split**"), without increasing or decreasing the amount of stated capital or paid-in surplus of the Corporation. The Corporation shall not issue any fractional shares of Common Stock in the Reverse Stock Split. All shares of reclassified Common Stock that are held by a stockholder as a result of the Reverse Stock Split shall be aggregated. If, after taking into account such aggregation of shares of Common Stock held by a stockholder, the Reverse Stock Split would result in the issuance of any fractional share, such fractional share shall be rounded up to the nearest whole share. The par value of each share of Common Stock shall not be adjusted in connection with the Reverse Stock Split. At the Effective Time, the certificates representing the shares of the Old Common Stock shall be deemed cancelled and shall not be recognized as outstanding on the books of the Corporation."

5. The holders of the necessary number of shares of capital stock of the Corporation gave their written consent in favor of the foregoing amendment in accordance with the provisions of Section 228 of the Delaware General Corporation Law.

IN WITNESS WHEREOF, this Certificate of Amendment to Amended and Restated Certificate of Incorporation has been signed on behalf of the Corporation by its duly authorized officer effective this 4th day of June, 2015.

AppFolio, Inc.

By: /s/ Brian Donahoo
Brian Donahoo
President and Chief Executive Officer

BYLAWS

OF

APPFOLIO, INC.
a Delaware corporation

As adopted February 14, 2007

TABLE OF CONTENTS

BYLAWS
OF
APPFOLIO, INC.
a Delaware corporation

ARTICLE I
OFFICES

Section 1. Registered Office. The registered office of the Corporation in the State of Delaware shall be in the City of Wilmington, County of New Castle.

Section 2. Other Offices. The Corporation may also have offices at such other places both within and outside of the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

Section 3. Books. The books of the Corporation may be kept within or outside of the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II
MEETINGS OF STOCKHOLDERS

Section 1. Place of Meetings. All meetings of stockholders for the election of directors shall be held at such place either within or outside of the State of Delaware as may be fixed from time to time by the Board of Directors, or at such other place either within or outside of the State of Delaware as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting. Meetings of stockholders for any other purpose may be held at such time and place, within or outside of the State of Delaware, as shall be stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual Meetings. Annual meetings of stockholders shall be held at a time and date designated by the Board of Directors for the purpose of electing directors and transacting such other business as may properly be brought before the meeting.

Section 3. Special Meetings. Special meetings of stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the Certificate of Incorporation, may be called by the President and shall be called by the President or Secretary at the request in writing of a majority of the Board of Directors, or at the request in writing of a stockholder or stockholders owning stock of the Corporation possessing ten percent (10%) of the voting power possessed by all of the then outstanding capital stock of any class of the Corporation entitled to vote. Such request shall state the purpose or purposes of the proposed meeting.

Section 4. Notification of Business to be Transacted at Meeting. To be properly brought before a meeting, business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors, or (c) otherwise properly brought before the meeting by a stockholder entitled to vote at the meeting.

Section 5. Notice; Waiver of Notice. Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise required by law, such notice shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be given when deposited in the mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation. A written waiver of any such notice signed by the person entitled thereto, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

Section 6. Quorum; Adjournment. Except as otherwise required by law, or provided by the Certificate of Incorporation or these Bylaws, the holders of a majority of the capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of the stockholders. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of enough votes to leave less than a quorum, if any action taken is approved by at least a majority of the required quorum to conduct that meeting. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting of the time and place of the adjourned meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder entitled to vote at the meeting.

Section 7. Voting. Except as otherwise required by law, or provided by the Certificate of Incorporation or these Bylaws, any question brought before any meeting of stockholders at which a quorum is present shall be decided by the vote of the holders of a majority of the stock represented and entitled to vote thereat. Unless otherwise provided in the Certificate of Incorporation, each stockholder represented at a meeting of stockholders shall be entitled to cast one vote for each share of the capital stock entitled to vote thereat held by such stockholder. Such votes may be cast in person or by proxy, but no proxy shall be voted on or after three (3) years from its date, unless such proxy provides for a longer period. Elections of directors need not be by ballot unless the Chairman of the meeting so directs or unless a stockholder demands election by ballot at the meeting and before the voting begins.

Section 8. Stockholder Action by Written Consent Without a Meeting. Except as otherwise provided in the Certificate of Incorporation, any action which may be taken at any annual or special meeting of stockholders, may be taken without a meeting and without prior notice, if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. All such

consents shall be filed with the Secretary of the Corporation and shall be maintained in the corporate records. Prompt notice of the taking of corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

Section 9. List of Stockholders Entitled to Vote. The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder of the Corporation who is present.

Section 10. Stock Ledger. The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 9 of this Article II or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

Section 11. Inspectors of Election. In advance of any meeting of stockholders, the Board of Directors may appoint one or more persons (who shall not be candidates for office) as inspectors of election to act at the meeting or any adjournment thereof. If an inspector or inspectors are not so appointed, or if an appointed inspector fails to appear or fails or refuses to act at a meeting, the Chairman of any meeting of stockholders may, and on the request of any stockholder or his proxy shall, appoint an inspector or inspectors of election at the meeting. The duties of such inspector(s) shall include: determining the number of shares outstanding and the voting power of each; the shares represented at the meeting; the existence of a quorum; the authenticity, validity and effect of proxies; receiving votes, ballots or consents; hearing and determining all challenges and questions in any way arising in connection with the right to vote; counting and tabulating all votes or consents; determining the result; and such acts as may be proper to conduct the election or vote with fairness to all stockholders. In the event of any dispute between or among the inspectors, the determination of the majority of the inspectors shall be binding.

Section 12. Organization. At each meeting of stockholders the Chairman of the Board of Directors, if one shall have been elected, (or in his absence or if one shall not have been elected, the President) shall act as Chairman of the meeting. The Secretary (or in his absence or inability to act, the person whom the Chairman of the meeting shall appoint secretary of the meeting) shall act as secretary of the meeting and keep the minutes thereof.

Section 13. Order of Business. The order and manner of transacting business at all meetings of stockholders shall be determined by the Chairman of the meeting.

ARTICLE III
DIRECTORS

Section 1. Powers. Except as otherwise required by law or provided by the Certificate of Incorporation, the business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

Section 2. Number and Election of Directors. The Board shall consist of one or more members, each of whom shall be a natural person. Unless the certificate of incorporation fixes the number of directors, the number of directors shall be determined from time to time by resolution of the Board. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires. Directors shall be elected at each annual meeting of stockholders to replace directors whose terms then expire, and each director elected shall hold office until his successor is duly elected and qualified, or until his earlier death, resignation or removal. Any director may resign at any time effective upon giving written notice to the Board of Directors, unless the notice specifies a later time for such resignation to become effective. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. If the resignation of a director is effective at a future time, the Board of Directors may elect a successor prior to such effective time to take office when such resignation becomes effective. Directors need not be stockholders.

Section 3. Vacancies. Subject to the limitations in the Certificate of Incorporation, vacancies in the Board of Directors resulting from death, resignation, removal or otherwise and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. Each director so selected shall hold office for the remainder of the full term of office of the former director which such director replaces and until his successor is duly elected and qualified, or until his earlier death, resignation or removal. No decrease in the authorized number of directors constituting the Board of Directors shall shorten the term of any incumbent directors.

Section 4. Time and Place of Meetings. The Board of Director shall hold its meetings at such place, either within or outside of the State of Delaware, and at such time as may be determined from time to time by the Board of Directors.

Section 5. Annual Meeting. The Board of Directors shall meet for the purpose of organization, the election of officers and the transaction of other business, as soon as practicable after each annual meeting of stockholders, on the same day and at the same place where such annual meeting shall be held. Notice of such meeting need not be given. In the event such annual meeting is not so held, the annual meeting of the Board of Directors may be held at such place, either within or outside of the State of Delaware, on such date and at such time as shall be specified in a notice thereof given as hereinafter provided in Section 7 of this Article III or in a waiver of notice thereof.

Section 6. Regular Meetings. Regular meetings of the Board of Directors may be held at such places within or outside of the State of Delaware at such date and time as the Board of Directors may from time to time determine and, if so determined by the Board of Directors, notices thereof need not be given.

Section 7. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman of the Board, the President, the Secretary or by any director. Notice of the date, time and place of special meetings shall be delivered personally or by telephone to each director or sent by first-class mail or telegram, charges prepaid, addressed to each director at the director's address as it is shown on the records of the Corporation. In case the notice is mailed, it shall be

deposited in the United States mail at least four (4) days before the time of the holding of the meeting. In case the notice is delivered personally or by telephone or telegram, it shall be delivered personally or by telephone or to the telegraph company at least forty-eight (48) hours before the time of the holding of the meeting. The notice need not specify the purpose of the meeting. A written waiver of any such notice signed by the person entitled thereto, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

Section 8. Quorum; Vote Required for Action; Adjournment. Except as otherwise required by law, or provided in the Certificate of Incorporation or these Bylaws, a majority of the directors shall constitute a quorum for the transaction of business at all meetings of the Board of Directors and the affirmative vote of not less than a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, the directors present thereat may adjourn the meeting, from time to time, without notice other than announcement at the meeting, until a quorum shall be present. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum to conduct that meeting. When a meeting is adjourned to another time or place (whether or not a quorum is present), notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Board of Directors may transact any business which might have been transacted at the original meeting.

Section 9. Action by Written Consent. Unless otherwise restricted by the Certificate of Incorporation, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if all the members of the Board of Directors or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

Section 10. Telephone Meetings. Unless otherwise restricted by the Certificate of Incorporation, members of the Board of Directors of the Corporation, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee, as the case may be, by conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this Section 10 shall constitute presence in person at such meeting.

Section 11. Committees. The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any such committee, who may replace any absent or disqualified member at any meeting of the committee. In the event of absence or disqualification of a member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the committee member or members present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may appoint another member of the Board of Directors to act at the meeting in the place of the absent or disqualified member. Any committee, to the extent allowed by law and as provided in the resolution establishing such committee, shall have and may exercise all the power and authority of the Board of Directors in the management of the business and affairs of the Corporation, but no such committee shall have the power

or authority in reference to amending the Certificate of Incorporation, adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or amending the Bylaws of the Corporation; and, unless the resolution or the Certificate of Incorporation expressly so provides, no such committee shall have the power or authority to declare a dividend or to authorize the issuance of stock. Each committee shall keep regular minutes of its meetings and report to the Board of Directors when required.

Section 12. Compensation. The directors may be paid such compensation for their services as the Board of Directors shall from time to time determine.

Section 13. Interested Directors. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or the committee thereof which authorizes the contract or transaction, or solely because his of their votes are counted for such purpose if: (i) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof, or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

ARTICLE IV
OFFICERS

Section 1. Officers. The officers of the Corporation shall be a Chief Executive Officer, President, and a Secretary. The Corporation may also have, at the discretion of the Board of Directors, a Chairman of the Board, a Vice Chairman of the Board, a Chief Financial Officer, one or more Vice Presidents, one or more Assistant Financial Officers and Treasurers, one or more Assistant Secretaries and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article IV.

Section 2. Appointment of Officers. The officers of the Corporation, except such officers as may be appointed in accordance with the provisions of Section 3 or Section 5 of this Article IV, shall be appointed by the Board of Directors, and each shall serve at the pleasure of the Board, subject to the rights, if any, of an officer under any contract of employment.

Section 3. Subordinate Officers. The Board of Directors may appoint, and may empower the Chief Executive Officer or President to appoint, such other officers as the business of the Corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in the Bylaws or as the Board of Directors may from time to time determine.

Section 4. Removal and Resignation of Officers. Subject to the rights of an officer under any contract, any officer may be removed at any time, with or without cause, by the Board of Directors or, except in case of an officer chosen by the Board of Directors, by any officer upon whom such power of removal may be conferred by the Board of Directors.

Any officer may resign at any time by giving written notice to the Corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation shall be without prejudice to the rights of the Corporation under any contract to which the officer is a party.

Section 5. Vacancies in Offices. A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to that office.

Section 6. Chairman of the Board. The Chairman of the Board, if such an officer is elected, shall, if present, preside at meetings of the stockholders and of the Board of Directors. He shall, in addition, perform such other functions (if any) as may be prescribed by the Bylaws or the Board of Directors.

Section 7. Vice Chairman of the Board. The Vice Chairman of the Board, if such an officer is elected, shall, in the absence or disability of the Chairman of the Board, perform all duties of the Chairman of the Board and when so acting shall have all the powers of and be subject to all of the restrictions upon the Chairman of the Board. The Vice Chairman of the Board shall have such other powers and duties as may be prescribed by the Board of Directors or the Bylaws.

Section 8. Chief Executive Officer. The Chief Executive Officer of the Corporation shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and the officers of the Corporation. He shall exercise the duties usually vested in the chief executive officer of a corporation and perform such other powers and duties as may be assigned to him from time to time by the Board of Directors or prescribed by the Bylaws. In the absence of the Chairman of the Board and any Vice Chairman of the Board, the Chief Executive Officer shall preside at all meetings of the stockholders and of the Board of Directors.

Section 9. President. The President of the Corporation shall, subject to the control of the Board of Directors and the Chief Executive Officer of the Corporation, if there be such an officer, have general powers and duties of management usually vested in the office of president of a corporation and shall have such other powers and duties as may be prescribed by the Board of Directors or the Bylaws or the Chief Executive Officer of the Corporation. In the absence of the Chairman of the Board, Vice Chairman of the Board and Chief Executive Officer, the President shall preside at all meetings of the Board of Directors and stockholders.

Section 10. Vice President. In the absence or disability of the President, the Vice Presidents, if any, in order of their rank as fixed by the Board of Directors or, if not ranked, a Vice President designated by the Board of Directors, shall perform all the duties of the President, and when so acting shall have all the powers of, and subject to all the restrictions upon, the President. The Vice Presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board of Directors or the Bylaws, and the President, or the Chairman of the Board.

Section 11. Secretary. The Secretary shall keep or cause to be kept, at the principal executive office or such other place as the Board of Directors may direct, a book of minutes of all meetings and actions of Directors, committees of Directors, and stockholders, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice given, the names of those present at Directors' meetings or committee meetings, the number of shares present or represented at stockholders' meetings, and a summary of the proceedings.

The Secretary shall keep, or cause to be kept, at the principal executive office or at the office of the Corporation's transfer agent or registrar, as determined by resolution of the Board of Directors, a share register, or a duplicate share register, showing the names of all stockholders and their addresses, the number and classes of shares held by each, the number and date of certificates issued for the same, and the number and date of cancellation of every certificate surrendered for cancellation.

The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and of the Board of Directors required by the Bylaws or by law to be given, and he shall keep or cause to be kept the seal of the Corporation if one be adopted, in safe custody, and shall have such powers and perform such other duties as may be prescribed by the Board of Directors or by the Bylaws.

Section 12. Chief Financial Officer. The Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the Corporation. The Chief Financial Officer shall deposit all moneys and other valuables in the name and to the credit of the Corporation with such depositories as may be designated by the Board of Directors. He shall make such disbursements of the funds of the Corporation as are authorized and shall render from time to time an account of all of his transactions as Chief Financial Officer and of the financial condition of the Corporation. The Chief Financial Officer shall also have such other powers and perform such other duties as may be prescribed by the Board of Directors or the Bylaws.

ARTICLE V
STOCK

Section 1. Form of Certificates. Every holder of stock in the Corporation shall be entitled to have a certificate signed by, or in the name of the Corporation (i) by the Chairman of the Board of Directors, or the Chief Executive Officer or the President or a Vice President and (ii) by the Chief Financial Officer or the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by such stockholder in the Corporation.

Section 2. Signatures. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

Section 3. Lost Certificates. The Corporation may issue a new certificate to be issued in place of any certificate theretofore issued by the Corporation, alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate to be lost, stolen or

destroyed. The Corporation may, in the discretion of the Board of Directors and as a condition precedent to the issuance of such new certificate, require the owner of such lost, stolen, or destroyed certificate, or his legal representative, to give the Corporation a bond (or other security) sufficient to indemnify it against any claim that may be made against the Corporation (including any expense or liability) on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

Section 4. Transfers. Stock of the Corporation shall be transferable in the manner prescribed by law and in these Bylaws or in any agreement with the stockholder making the transfer. Transfers of stock shall be made on the books of the Corporation only by the person named in the certificate or by his attorney lawfully constituted in writing and upon the surrender of the certificate therefor, which shall be canceled before a new certificate shall be issued.

Section 5. Record Holders. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the record holder of shares to receive dividends, and to vote as such record holder, and to hold liable for calls and assessments a person registered on its books as the record holder of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise required by law.

ARTICLE VI
INDEMNIFICATION

Section 1. Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director or officer of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a director or officer or in any other capacity while serving as a director or officer, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith and such indemnification shall continue as to an indemnitee who has ceased to be a director or officer and shall inure to the benefit of the indemnitee's heirs, executors and administrators; provided, however, that, except as provided in Section 2 of this Article VI with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Section shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that, if the Delaware General Corporation Law requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such indemnitee, including without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such indemnitee is not entitled to be indemnified for such expenses under this Article VI or otherwise (hereinafter an "undertaking").

Section 2. Right of Indemnitee to Bring Suit. If a claim under Section 1 of this Article VI is not paid in full by the Corporation within forty-five (45) days after a written claim has been received by the Corporation, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or part in any such suit or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) any suit by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met the applicable standard of conduct set forth in the Delaware General Corporation Law. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified or to such advancement of expenses under this Article VI or otherwise shall be on the Corporation.

Section 3. Non-Exclusivity of Rights. The rights of indemnification and to the advancement of expenses conferred in this Article VI shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

Section 4. Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

Section 5. Indemnification of Employees or Agents of the Corporation. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses, to any employee or agent of the Corporation to the fullest extent of the provisions of this Article VI with respect to the indemnification and advancement of expenses of directors or officers of the Corporation.

Section 6. Indemnification Contracts. The Board of Directors is authorized to enter into a contract with any director, officer, employee or agent of the Corporation, or any person serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including employee benefit plans, providing for indemnification rights equivalent to or, if the Board of Directors so determines, greater than, those provided for in this Article VI.

Section 7. Effect of Amendment. Any amendment, repeal or modification of any provision of this Article VI by the stockholders or the directors of the Corporation shall not adversely affect any right or protection of a director or officer of the Corporation existing at the time of such amendment, repeal or modification.

ARTICLE VII
GENERAL PROVISIONS

Section 1. Dividends. Subject to limitations contained in the General Corporation Law of the State of Delaware and the Certificate of Incorporation, the Board of Directors may declare and pay dividends upon the shares of capital stock of the Corporation, which dividends may be paid either in cash, securities of the Corporation or other property.

Section 2. Disbursements. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 3. Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 4. Corporate Seal. The Corporation shall have a corporate seal in such form as shall be prescribed by the Board of Directors.

Section 5. Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) days nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting. Stockholders on the record date are entitled to notice and to vote or to receive the dividend, distribution or allotment of rights or to exercise the rights, as the case may be, notwithstanding any transfer of any shares on the books of the Corporation after the record date, except as otherwise provided by agreement or by applicable law.

Section 6. Voting of Stock Owned by the Corporation. The Chairman of the Board, the Chief Executive Officer, the President and any other officer of the Corporation authorized by the Board of Directors shall have power, on behalf of the Corporation, to attend, vote and grant proxies to be used at any meeting of stockholders of any corporation (except this Corporation) in which the Corporation may hold stock.

Section 7. Construction and Definitions. Unless the context requires otherwise, the general provisions, rules of construction and definitions in the General Corporation Law of the State of Delaware shall govern the construction of these Bylaws.

Section 8. Amendments. Subject to the General Corporation Law of the State of Delaware, the Certificate of Incorporation and these Bylaws, the Board of Directors may by the affirmative vote of a majority of the entire Board of Directors amend or repeal these Bylaws, or adopt other Bylaws as in their judgment may be advisable for the regulation of the conduct of the affairs of the Corporation. Unless otherwise restricted by the Certificate of Incorporation, these Bylaws may be altered, amended or repealed, and new Bylaws may be adopted, at any annual meeting of the stockholders (or at any special meeting thereof duly called for that purpose) by a majority of the combined voting power of the then outstanding shares of capital stock of all classes and series of the Corporation entitled to vote generally in the election of directors, voting as a single class, provided that, in the notice of any such special meeting, notice of such purpose shall be given.

FORM OF
AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
APPFOLIO, INC.

AppFolio, Inc. (the "**Corporation**"), a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

A. The name of this Corporation is AppFolio, Inc., and the original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on February 14, 2007.

B. This Amended and Restated Certificate of Incorporation was duly adopted in accordance with Sections 242 and 245 of the General Corporation Law of the State of Delaware (the "**DGCL**"), and has been duly approved by the written consent of the stockholders of the Corporation in accordance with Section 228 of the DGCL.

C. The Certificate of Incorporation of the Corporation is hereby amended and restated in its entirety to read as follows:

*** * ***

ARTICLE I

The name of the Corporation is AppFolio, Inc.

ARTICLE II

The address of the Corporation's registered office in the State of Delaware is 2711 Centerville Road, Suite 400, City of Wilmington, County of New Castle, 19808. The name of its registered agent at such address is Corporation Service Company.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the DGCL.

ARTICLE IV

A. Classes of Stock. The total number of shares of capital stock that the Corporation shall have authority to issue is 325,000,000, consisting of the following: 250,000,000 shares of Class A Common Stock, par value $0.0001 per share ("**Class A Common Stock**"), 50,000,000 shares of Class B Common Stock, par value $0.0001 per share ("**Class B Common Stock**"), and 25,000,000 shares of undesignated Preferred Stock, par value $0.0001 per share ("**Preferred Stock**").

Immediately upon the acceptance of this Amended and Restated Certificate of Incorporation for filing by the Secretary of State of the State of Delaware (the "**Effective Time**"), each share of the Corporation's capital stock issued and outstanding or held as treasury stock immediately prior to the Effective Time, shall, automatically and without further action by any stockholder, be reclassified as, and shall become, one share of Class B Common Stock.

B. Rights of Preferred Stock. The Board of Directors of the Corporation (the "**Board of Directors**") is authorized, subject to any limitations prescribed by law but to the fullest extent permitted by law, to provide by resolution for the issuance of shares of Preferred Stock in series, and, by filing a certificate pursuant to the applicable law of the State of Delaware (such certificate being hereinafter referred to as a "**Preferred Stock Designation**"), to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, (which may include, without limitation, full, limited or no voting powers), preferences, and relative, participating, optional or other rights of the shares of each such series and any qualifications, limitations or restrictions thereof.

C. Vote to Increase or Decrease Authorized Shares of Preferred Stock. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of all of the outstanding shares of capital stock of the Corporation entitled to vote thereon, without a separate class vote of the holders of Preferred Stock, or any separate series votes of any series thereof, unless a vote of any such holders is required pursuant to the terms of any Preferred Stock Designation.

D. Rights of Class A Common Stock and Class B Common Stock. The relative powers, rights, qualifications, limitations and restrictions granted to or imposed on the shares of Class A Common Stock and Class B Common Stock are as follows:

1. Voting Rights.

(a) General Right to Vote Together; Exception. Except as otherwise expressly provided herein or required by applicable law, the holders of Class A Common Stock and Class B Common Stock shall vote together as one class on all matters submitted to a vote of the stockholders; *provided*, *however*, subject to the terms of any Preferred Stock Designation, the number of authorized shares of Class A Common Stock or Class B Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of the capital stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of DGCL.

(b) Votes Per Share. Except as otherwise expressly provided herein or required by applicable law, on any matter that is submitted to a vote of the stockholders, each holder of Class A Common Stock shall be entitled to one (1) vote for each such share, and each holder of Class B Common Stock shall be entitled to ten (10) votes for each such share.

2. Identical Rights. Except as otherwise expressly provided herein or required by applicable law, shares of Class A Common Stock and Class B Common Stock shall have the same rights and privileges and rank equally, share ratably and be identical in all respects as to all matters, including, without limitation:

(a) Dividends and Distributions. Shares of Class A Common Stock and Class B Common Stock shall be treated equally, identically and ratably, on a per share basis, with respect to any Distribution paid or distributed by the Corporation; *provided*, *however*, that in the event a Distribution is paid in the form of Class A Common Stock or Class B Common Stock (or Rights to acquire such stock), then holders of Class A Common Stock shall receive Class A Common Stock (or Rights to acquire such stock, as the case may be) and holders of Class B Common Stock shall receive Class B Common Stock (or Rights to acquire such stock, as the case may be).

(b) Subdivision or Combination. If the Corporation in any manner subdivides or combines the outstanding shares of Class A Common Stock or Class B Common Stock, the outstanding shares of the other such class will be subdivided or combined in the same proportion and manner.

(c) Equal Treatment in a Change of Control or any Merger Transaction. In connection with any Change of Control Transaction, shares of Class A Common Stock and Class B Common Stock shall be treated equally, identically and ratably, on a per share basis, with respect to any consideration into which such shares are converted or any consideration paid or otherwise distributed to stockholders of the Corporation. Any merger or consolidation of the Corporation with or into any other entity, which is not a Change of Control Transaction, shall require approval by the affirmative vote of the holders of a majority of the outstanding shares of Class A Common Stock and by the affirmative vote of the holders of a majority of the outstanding shares of Class B Common Stock, each voting separately as a class, unless (i) the shares of Class A Common Stock and Class B Common Stock remain outstanding and no other consideration is received in respect thereof or (ii) such shares are converted on a pro rata basis into shares of the surviving or parent entity in such transaction having identical rights to the shares of Class A Common Stock and Class B Common Stock, respectively.

3. Change of Control Transactions. The Corporation will not consummate a Change of Control Transaction without first obtaining the approval of the holders of at least a majority of the then outstanding shares of Class B Common Stock, voting as a separate class, in addition to any other vote required by applicable law, this Amended and Restated Certificate of Incorporation or the Bylaws.

4. Conversion of Class B Common Stock.

(a) Voluntary Conversion. Each one (1) share of Class B Common Stock shall be convertible into one (1) share of Class A Common Stock at the option of the holder thereof at any time upon written notice to the transfer agent of the Corporation.

(b) Automatic Conversion. Except as provided in ARTICLE IV, Section D.4.(c) below, shares of Class B Common Stock shall automatically, without any further action, convert into an equal number of shares of Class A Common Stock upon any Transfer of such shares of Class B Common Stock, except for a Transfer:

(i) by a partnership or limited liability company that was a registered holder of shares of Class B Common Stock at the Effective Time to a partner of such partnership or a member of such limited liability company at the Effective Time; or

(ii) to a Qualified Recipient.

(c) Conversion Upon Death of a Class B Stockholder. Each share of Class B Common Stock which is held of record by a Class B Stockholder who is a natural person, or which is held of record by a Trust or Individual Retirement Account and which is to be the subject of a Transfer to other than a Qualified Recipient as a result of the death of a Class B Stockholder, shall automatically, without any further action, convert into one (1) fully paid and nonassessable share of Class A Common Stock upon that date which is nine (9) months after the date of death of such Class B Stockholder, unless such share is transferred to a Qualified Recipient or otherwise converts to a share of Series A Common Stock prior to such date.

(d) Final Conversion of Class B Common Stock. On the Final Conversion Date, each one (1) issued share of Class B Common Stock shall automatically, without any further action, convert into one (1) share of Class A Common Stock. Following such conversion, the reissuance of all shares of Class B Common Stock shall be prohibited, and such shares shall be retired and cancelled in accordance with Section 243 of the DGCL and the filing by the Secretary of State of the State of Delaware required thereby, and upon such retirement and cancellation, all references to Class B Common Stock in this Amended and Restated Certificate of Incorporation shall be eliminated.

(e) Procedures. The Corporation may, from time to time, establish such policies and procedures relating to the conversion of Class B Common Stock to Class A Common Stock and the general administration of this dual class stock structure, including the issuance of stock certificates with respect thereto, as it may deem reasonably necessary or advisable, and may from time to time request that holders of shares of Class B Common Stock furnish certifications, affidavits or other proof to the Corporation as it deems necessary to verify the ownership of Class B Common Stock and to confirm that a conversion to Class A Common Stock has not occurred. A determination by the Secretary of the Corporation that a Transfer results in a conversion to Class A Common Stock shall be conclusive and binding.

(f) Immediate Effect. In the event of a conversion of shares of Class B Common Stock to shares of Class A Common Stock pursuant to this ARTICLE IV Section D.4 or upon the Final Conversion Date, such conversion(s) shall be deemed to have been made at the time that the Transfer of shares occurred or immediately upon the Final Conversion Date, as applicable. Upon any conversion of Class B Common Stock to Class A Common Stock, all rights of the holder of shares of Class B Common Stock shall cease and the person or persons in whose names or names the certificate or certificates representing the shares of Class A Common Stock are to be issued shall be treated for all purposes as having become the record holder or holders of such shares of Class A Common Stock. Shares of Class B Common Stock that are converted into shares of Class A Common Stock as provided in this ARTICLE IV Section D.4 shall be retired and may not be reissued.

(g) Reservation of Stock. The Corporation shall at all times reserve and keep available out of its authorized but unissued shares of Class A Common Stock, solely for the purpose of effecting the conversion of the shares of Class B Common Stock, such number of its shares of Class A Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of Class B Common Stock into shares of Class A Common Stock.

E. No Further Issuances. Except for the issuance of Class B Common Stock issuable upon exercise of Rights outstanding at the Effective Time or a dividend payable in accordance with ARTICLE IV, Section D.2.(a), the Corporation shall not at any time after the Effective Time issue

any additional shares of Class B Common Stock, unless such issuance is approved by the affirmative vote of the holders of a majority of the outstanding shares of Class B Common Stock. After the Final Conversion Date, the Corporation shall not issue any additional shares of Class B Common Stock.

F. Definitions. The following terms, where capitalized in this Amended and Restated Certificate of Incorporation, shall have the meanings ascribed to them in this ARTICLE IV, Section F:

"**Change of Control Share Issuance**" means the issuance by the Corporation, in a transaction or series of related transactions, of voting securities representing more than two percent (2%) of the total voting power (assuming Class A Common Stock and Class B Common Stock each have one (1) vote per share) of the Corporation before such issuance to any person or persons acting as a group as contemplated in Rule 13d-5(b) under the Exchange Act (or any successor provision) that immediately prior to such transaction or series of related transactions held fifty percent (50%) or less of the total voting power of the Corporation (assuming Class A Common Stock and Class B Common Stock each have one (1) vote per share), such that, immediately following such transaction or series of related transactions, such person or group of persons would hold more than fifty percent (50%) of the total voting power of the Corporation (assuming Class A Common Stock and Class B Common Stock each have one (1) vote per share).

"**Change of Control Transaction**" means (i) the sale, lease, exchange, or other disposition (other than liens and encumbrances created in the ordinary course of business, including liens or encumbrances to secure indebtedness for borrowed money that are approved by the Board of Directors, so long as no foreclosure occurs in respect of any such lien or encumbrance) of all or substantially all of the Corporation's property and assets (which shall for such purpose include the property and assets of any direct or indirect subsidiary of the Corporation), *provided that* any sale, lease, exchange or other disposition of property or assets exclusively between or among the Corporation and any direct or indirect subsidiary or subsidiaries of the Corporation shall not be deemed a "**Change of Control Transaction**"; (ii) the merger, consolidation, business combination, or other similar transaction of the Corporation with any other entity, other than a merger, consolidation, business combination, or other similar transaction that would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) more than fifty percent (50%) of the total voting power represented by the voting securities of the Corporation *and* more than fifty percent (50%) of the total number of outstanding shares of the Corporation's capital stock, in each case as outstanding immediately after such merger, consolidation, business combination, or other similar transaction, and the stockholders of the Corporation immediately prior to the merger, consolidation, business combination, or other similar transaction own voting securities of the Corporation, the surviving entity or its parent immediately following the merger, consolidation, business combination, or other similar transaction in substantially the same proportions (vis a vis each other) as such stockholders owned the voting securities of the Corporation immediately prior to the transaction; (iii) a recapitalization, liquidation, dissolution, or other similar transaction involving the Corporation, other than a recapitalization, liquidation, dissolution, or other similar transaction that would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity or its parent) more than fifty percent (50%) of the total voting power represented by the voting securities of the Corporation *and* more than fifty percent of the total number of outstanding shares of the Corporation's capital stock, in each case as outstanding immediately after such recapitalization, liquidation, dissolution or

other similar transaction, and the stockholders of the Corporation immediately prior to the recapitalization, liquidation, dissolution or other similar transaction own voting securities of the Corporation, the surviving entity or its parent immediately following the recapitalization, liquidation, dissolution or other similar transaction in substantially the same proportions (vis a vis each other) as such stockholders owned the voting securities of the Corporation immediately prior to the transaction; and (iv) any Change of Control Share Issuance.

"**Class B Stockholder**" means (i) the registered holder of a share of Class B Common Stock at the Effective Time, (ii) the initial registered holder of any shares of Class B Common Stock that are originally issued by the Corporation after the Effective Time and (iii) a Qualified Recipient who becomes a registered holder of any shares of Class B Common Stock.

"**Distribution**" means (i) any dividend or distribution of cash, property or shares of the Corporation's capital stock; and (ii) any distribution following or in connection with any liquidation, dissolution or winding up of the Corporation, either voluntary or involuntary.

"**Exchange Act**" means the United States Securities Exchange Act of 1934, as amended.

"**Final Conversion Date**" means 5:00 p.m. in New York City, New York on the first Trading Day falling on or after the date on which the outstanding shares of Class B Common Stock represent less than 10% of the aggregate number of shares of the then outstanding Class A Common Stock and Class B Common Stock.

"**Indirect Owner**" means any natural person, entity, Trust or Individual Retirement Account that had an indirect ownership or beneficial interest in shares of Class B Common Stock at the Effective Time by reason of such person's, entity's, Trust's or Individual Retirement Account's direct or indirect ownership or beneficial interest in (i) a registered holder of shares of Class B Common Stock issued and outstanding at the Effective Time or (ii) any entity, Trust or Individual Retirement Account that in turn had a direct or indirect ownership or beneficial interest in any entity, Trust or Individual Retirement Account that was an Indirect Owner at the Effective Time.

"**Indirect Owner Shares**" means shares of Class B Common Stock in which an Indirect Owner has an indirect ownership or beneficial interest. The actual number of Indirect Owner Shares in which any Indirect Owner has an indirect ownership or beneficial interest shall be his, her or its pro rata share of the shares of Class B Common Stock owned directly by the registered holder thereof or indirectly by an Indirect Owner, as the case may be, calculated without regard to any "carried interest" to which such shares may be subject, based on his, her or its pro rata ownership or beneficial interest in such holder or Indirect Owner, as the case may be.

"**Individual Retirement Account**" means a retirement account defined in Section 408(a) of the Internal Revenue Code, or a pension, profit sharing, stock bonus or other type of plan or trust, in each case, of which a Qualifying Recipient is a participant or beneficiary and which satisfies the requirements for qualification under Section 401 of the Internal Revenue Code so long as such Qualifying Recipient has sole dispositive power and exclusive Voting Control with respect to the shares of Class B Common Stock held in such account, plan or trust.

"**Qualified Entity**" means a corporation, partnership or limited liability company in which one or more Qualifying Recipients have ownership rights, or otherwise have legally enforceable

rights, such that the Qualifying Recipients have exclusive Voting Control with respect to the shares of Class B Common Stock held by such corporation, partnership or limited liability company.

"**Qualified Recipient**" means (i) a registered holder of at least one percent (1%) of the total number of shares of Class B Common Stock issued and outstanding at the Effective Time or (ii) an Indirect Owner who had an indirect ownership or beneficial interest in a number of Indirect Owner Shares that constituted, in the aggregate, at least one percent (1%) of the total number of shares of Class B Common Stock issued and outstanding at the Effective Time or (iii) a Qualified Entity or (iv) a Trust or (v) an Individual Retirement Account. For purposes of the above, a "Qualified Recipient" shall include the spouse of any person identified in clause (i) or (ii) that possesses an interest in such shares arising by reason of the application of the community property laws of any jurisdiction, in which case both spouses shall be Qualified Recipients.

"**Rights**" means any option, warrant, conversion right or contractual right of any kind to acquire shares of the Corporation's authorized but unissued capital stock.

"**Securities Act**" means the United States Securities Act of 1933, as amended.

"**Securities Exchange**" means, at any time, the registered national securities exchange on which the Corporation's equity securities are then principally listed or traded, which shall be the New York Stock Exchange or NASDAQ Global Market (or similar national quotation system of the NASDAQ Stock Market) ("**NASDAQ**") or any successor exchange of either the New York Stock Exchange or NASDAQ.

"**Trading Day**" means any day on which the Securities Exchange is open for trading.

"**Transfer**" of a share of Class B Common Stock shall mean any sale, assignment, transfer, conveyance, distribution, hypothecation or other transfer or disposition of such share or any legal or beneficial interest in such share, whether or not for value and whether voluntary or involuntary or by operation of law. A "**Transfer**" shall also include, without limitation, (i) an event as a result of which Qualifying Recipients no longer have exclusive Voting Control with respect to shares of Class B Common Stock held by or in a Trust or Individual Retirement Account, as required in order for such Trust or Individual Retirement Account to be a Qualifying Recipient, or (ii) an event as a result of which Qualifying Recipients no longer own sufficient interests in a Qualified Entity, and no longer have sufficient legally enforceable rights, to ensure that Qualifying Recipients have exclusive Voting Control with respect to the shares of Class B Common Stock held by such Qualified Entity, or (iii) the transfer of, or entering into a binding agreement with respect to, Voting Control over a share of Class B Common Stock by proxy or otherwise; *provided*, *however*, that the following shall not be considered a "**Transfer**": (a) the grant of a proxy to officers or directors of the Corporation at the request of the Board of Directors in connection with actions to be taken at an annual or special meeting of stockholders; (b) the pledge of shares of Class B Common Stock by a Class B Stockholder that creates a mere security interest in such shares pursuant to a *bona fide* loan or indebtedness transaction so long as the Class B Stockholder continues to exercise Voting Control over such pledged shares; *provided*, *however*, that a foreclosure on such shares of Class B Common Stock or other similar action by the pledge shall constitute a "**Transfer**"; or (c) the fact that, as of the Effective Time or at any time after the Effective Time, the spouse of any Class B Stockholder possesses or obtains an interest in such holder's shares of Class B Common Stock arising solely by reason of the application of the community property laws of any jurisdiction, so long as no other event or circumstance shall exist or have occurred that constitutes a "*Transfer*" of such shares of Class B Common Stock.

"**Trust**" means a trust (i) for the benefit of a Qualifying Recipient or (ii) for the benefit of persons other than a Qualifying Recipient or (iii) under the terms of which a Qualifying Recipient has retained a "qualified interest" within the meaning of § 2702(b)(1) of the Internal Revenue Code and/or a reversionary interest, so long as, in each case under (i), (ii) and (iii), a Qualifying Recipient has sole dispositive power and exclusive Voting Control with respect to the shares of Class B Common Stock held by such trust.

"**Voting Control**" with respect to shares of Class B Common Stock means the power (directly or indirectly) to vote or direct the voting of such shares of Class B Common Stock by proxy, voting agreement, or otherwise.

ARTICLE V

A. General Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

B. Number of Directors; Election. Subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, the number of directors that constitutes the entire Board of Directors shall be fixed solely by resolution of the Board of Directors. Subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, each director of the Corporation shall hold office until the expiration of the term for which he or she is elected and until his or her successor has been duly elected and qualified or until his or her earlier resignation, death or removal.

C. Classified Board Structure. From and after the Effective Time, and subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, the directors of the Corporation shall be divided into three (3) classes as nearly equal in size as is practicable, hereby designated Class I, Class II and Class III. The Board of Directors may assign members of the Board of Directors already in office to such classes at the time such classification becomes effective. The term of office of the initial Class I directors shall expire at the first regularly-scheduled annual meeting of stockholders following the Effective Time, the term of office of the initial Class II directors shall expire at the second annual meeting of stockholders following the Effective Time and the term of office of the initial Class III directors shall expire at the third annual meeting of stockholders following the Effective Time. At each annual meeting of stockholders, commencing with the first regularly-scheduled annual meeting of stockholders following the Effective Time, each of the successors elected to replace the directors of a Class whose term shall have expired at such annual meeting shall be elected to hold office until the third annual meeting next succeeding his or her election and until his or her respective successor shall have been duly elected and qualified.

Notwithstanding the foregoing provisions of this ARTICLE V, and subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, each director shall serve until his or her successor is duly elected and qualified or until his or her death, resignation, or removal. Subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, if the number of directors is hereafter changed, any newly created directorships or decrease in directorships shall be so apportioned among the classes as to make all classes as nearly equal in number as is practicable, provided that no decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

D. Removal; Vacancies. Subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, any director may be removed from office by the stockholders of the Corporation only for cause. Vacancies occurring on the Board of Directors for any reason and newly created directorships resulting from an increase in the authorized number of directors may be filled only by vote of a majority of the remaining members of the Board of Directors, although less than a quorum, or by a sole remaining director, at any meeting of the Board of Directors. A person so elected by the Board of Directors to fill a vacancy or newly created directorship shall hold office until the next election of the class for which such director shall have been chosen and until his or her successor shall be duly elected and qualified.

ARTICLE VI

A. Written Ballot. Elections of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide.

B. Amendment of Bylaws. In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to adopt, amend or repeal the Bylaws of the Corporation.

C. Special Meetings. Special meetings of the stockholders may be called only by (i) the Board of Directors pursuant to a resolution adopted by a majority of the Board of Directors; (ii) the chairman of the Board of Directors; (iii) the chief executive officer of the Corporation; or (iv) the president of the Corporation (in the absence of a chief executive officer).

D. No Stockholder Action by Written Consent. Subject to the rights of the holders of any series of Preferred Stock, no action shall be taken by the stockholders of the Corporation except at an annual or special meeting of the stockholders called in accordance with the Bylaws, and no action shall be taken by the stockholders by written consent.

E. No Cumulative Voting. No stockholder will be permitted to cumulate votes at any election of directors.

ARTICLE VII

To the fullest extent permitted by the DGCL, as it presently exists or may hereafter be amended from time to time, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. If the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

Neither any amendment nor repeal of this ARTICLE VII, nor the adoption of any provision of the Corporation’s Certificate of Incorporation inconsistent with this ARTICLE VII, shall eliminate or reduce the effect of this ARTICLE VII in respect of any matter occurring, or any cause of action, suit or proceeding accruing or arising or that, but for this ARTICLE VII, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

ARTICLE VIII

Subject to any provisions in the Bylaws of the Corporation related to indemnification of directors or officers of the Corporation, the Corporation shall indemnify, to the fullest extent permitted by applicable law, any director or officer of the Corporation who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a "**Proceeding**") by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any such Proceeding.

The Corporation shall have the power to indemnify, to the extent permitted by the DGCL, as it presently exists or may hereafter be amended from time to time, any employee or agent of the Corporation who was or is a party or is threatened to be made a party to any Proceeding by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any such Proceeding.

A right to indemnification or to advancement of expenses arising under a provision of this Amended and Restated Certificate of Incorporation or the Bylaws of the Corporation shall not be eliminated or impaired by an amendment to this Amended and Restated Certificate of Incorporation or the Bylaws of the Corporation after the occurrence of the act or omission that is the subject of the civil, criminal, administrative or investigative action, suit or proceeding for which indemnification or advancement of expenses is sought, unless the provision in effect at the time of such act or omission explicitly authorizes such elimination or impairment after such action or omission has occurred.

ARTICLE IX

Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law or the Corporation's Certificate of Incorporation or Bylaws, or (iv) any action asserting a claim against the Corporation governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this ARTICLE IX.

ARTICLE X

If any provision of this Amended and Restated Certificate of Incorporation becomes or is declared on any ground by a court of competent jurisdiction to be illegal, unenforceable or void, portions of such provision, or such provision in its entirety, to the extent necessary, shall be severed

from this Amended and Restated Certificate of Incorporation, and the court will replace such illegal, void or unenforceable provision of this Amended and Restated Certificate of Incorporation with a valid and enforceable provision that most accurately reflects the Corporation's intent, in order to achieve, to the maximum extent possible, the same economic, business and other purposes of the illegal, void or unenforceable provision. The balance of this Amended and Restated Certificate of Incorporation shall be enforceable in accordance with its terms.

Except as provided in ARTICLE VII and ARTICLE VIII above, the Corporation reserves the right to amend, alter, change or repeal any provision contained in this Amended and Restated Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation; provided, however, that, notwithstanding any other provision of this Amended and Restated Certificate of Incorporation or any provision of law that might otherwise permit a lesser vote or no vote, but in addition to any vote of the holders of any class or series of the stock of this Corporation required by law or by this Amended and Restated Certificate of Incorporation, the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of the outstanding shares of stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend or repeal, or adopt any provision of this Amended and Restated Certificate of Incorporation inconsistent with, ARTICLE V, ARTICLE VI, ARTICLE VII, ARTICLE VIII, ARTICLE IX or this ARTICLE X.

* * * *

IN WITNESS WHEREOF, this Amended and Restated Certificate of Incorporation has been signed on behalf of the Corporation by its duly authorized officer effective this day of , 2015.

AppFolio, Inc.

By: _____

Brian Donahoo
President and Chief Executive Officer

Exhibit 3.6

FORM OF

AMENDED AND RESTATED

BYLAWS

OF

APPFOLIO, INC.

TABLE OF CONTENTS

FORM OF
AMENDED AND RESTATED
BYLAWS
OF
APPFOLIO, INC.

ARTICLE I - CORPORATE OFFICES

1.1 Registered Office. The registered office of AppFolio, Inc. shall be fixed in the corporation's certificate of incorporation, as the same may be amended from time to time.

1.2 Other Offices. The corporation's board of directors may at any time establish other offices at any place or places where the corporation is qualified to do business.

1.3 Books and Records. Any records maintained by the Corporation in the regular course of its business, including its stock ledger, books of account and minute books, may be maintained on any information storage device or method; provided that the records so kept can be converted into clearly legible paper form within a reasonable time. The Corporation shall so convert any records so kept upon the request of any person entitled to inspect such records pursuant to applicable law.

ARTICLE II - MEETINGS OF STOCKHOLDERS

2.1 Place of Meetings. Meetings of stockholders shall be held at any place, within or outside the State of Delaware, designated by the board of directors. The board of directors may, in its sole discretion, determine that a meeting of stockholders shall not be held at any place, but may instead be held solely by means of remote communication as authorized by Section 211(a)(2) of the Delaware General Corporation Law (the "**DGCL**"). In the absence of any such designation or determination, stockholders' meetings shall be held at the corporation's principal executive office.

2.2 Annual Meeting. The annual meeting of stockholders shall be held on such date, at such time, and at such place (if any) within or without the State of Delaware as shall be designated from time to time by the board of directors and stated in the corporation's notice of the meeting. At the annual meeting, directors shall be elected and any other proper business, brought in accordance with Section 2.4 of these bylaws, may be transacted. The board of directors may cancel, postpone or reschedule any previously scheduled annual meeting at any time, before or after the notice for such meeting has been sent to the stockholders.

2.3 Special Meeting.

(i) A special meeting of the stockholders, other than those required by statute, may be called at any time by (A) the board of directors pursuant to a resolution adopted by a majority of the board of directors, (B) the chairman of the board of directors, (C) the chief executive officer or (D) the president (in the absence of a chief executive officer), but a special meeting may not be called by any other person or persons. The board of directors may cancel, postpone or reschedule any previously scheduled special meeting at any time, before or after the notice for such meeting has been sent to the stockholders.

(ii) The notice of a special meeting shall include the purpose for which the meeting is called. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting by or at the direction of the board of directors, chairman of the board of

directors, chief executive officer or president (in the absence of a chief executive officer). Nothing contained in this Section 2.3(ii) shall be construed as limiting, fixing or affecting the time when a meeting of stockholders called by action of the board of directors may be held.

2.4 Advance Notice Procedures.

(i) *Advance Notice of Stockholder Business*. At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be brought: (A) pursuant to the corporation's proxy materials with respect to such meeting, (B) by or at the direction of the board of directors, or (C) by a stockholder of the corporation who (1) is a stockholder of record at the time of the giving of the notice required by this Section 2.4(i) and on the record date for the determination of stockholders entitled to vote at the annual meeting and (2) has timely complied in proper written form with the notice procedures set forth in this Section 2.4(i). In addition, for business to be properly brought before an annual meeting by a stockholder, such business must be a proper matter for stockholder action pursuant to these bylaws and applicable law. For the avoidance of doubt, except for proposals properly made in accordance with Rule 14a-8 under the Securities and Exchange Act of 1934, as amended, or any successor thereto (the "**1934 Act**"), and the regulations thereunder (or any successor rule and in any case as so amended), clause (C) above shall be the exclusive means for a stockholder to bring business before an annual meeting of stockholders.

(a) To comply with clause (C) of Section 2.4(i) above, a stockholder's notice must set forth all information required under this Section 2.4(i) and must be timely received by the secretary of the corporation. To be timely, a stockholder's notice must be received by the secretary at the principal executive offices of the corporation not later than the 45th day nor earlier than the 75th day before the one-year anniversary of the date on which the corporation first mailed its proxy materials or a notice of availability of proxy materials (whichever is earlier) for the preceding year's annual meeting; *provided*, *however*, that in the event that no annual meeting was held in the previous year or if the date of the annual meeting is advanced by more than 30 days prior to or delayed by more than 60 days after the one-year anniversary of the date of the previous year's annual meeting, then, for notice by the stockholder to be timely, it must be so received by the secretary not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of (i) the 90th day prior to such annual meeting, or (ii) the tenth day following the day on which Public Announcement (as defined below) of the date of such annual meeting is first made. In no event shall any adjournment, rescheduling or postponement of an annual meeting or the announcement thereof commence a new time period for the giving of a stockholder's notice as described in this Section 2.4(i)(a). "**Public Announcement**" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service, in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the 1934 Act.

(b) To be in proper written form, a stockholder's notice to the secretary must set forth as to each matter of business the stockholder intends to bring before the annual meeting: (1) a brief description of the business intended to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (2) the name and address, as they appear on the corporation's books, of the stockholder proposing such business and any Stockholder Associated Person (as defined below), (3) the class and number of shares of the corporation that are held of record or are beneficially owned by the stockholder or any Stockholder Associated Person and any derivative positions held or beneficially held by the stockholder or any Stockholder Associated Person,

(4) whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of such stockholder or any Stockholder Associated Person with respect to any securities of the corporation, and a description of any other agreement, arrangement or understanding (including any short position or any borrowing or lending of shares), the effect or intent of which is to mitigate loss to, or to manage the risk or benefit from share price changes for, or to increase or decrease the voting power of, such stockholder or any Stockholder Associated Person with respect to any securities of the corporation, (5) any material interest of the stockholder or a Stockholder Associated Person in such business, and (6) a statement whether either such stockholder or any Stockholder Associated Person will deliver a proxy statement and form of proxy to holders of at least the percentage of the voting power of the corporation's voting shares required under applicable law to carry the proposal (such information provided and statements made as required by clauses (1) through (6), a "**Business Solicitation Statement**"). In addition, to be in proper written form, a stockholder's notice to the secretary must be supplemented not later than ten days following the record date for the determination of stockholders entitled to notice of the meeting to disclose the information contained in clauses (3) and (4) above as of the record date. For purposes of this Section 2.4, a "**Stockholder Associated Person**" of any stockholder shall mean (i) any person controlling, directly or indirectly, or acting in concert with, such stockholder, (ii) any beneficial owner of shares of stock of the corporation owned of record or beneficially by such stockholder and on whose behalf the proposal or nomination, as the case may be, is being made, or (iii) any person controlling, controlled by or under common control with such person referred to in the preceding clauses (i) and (ii).

(c) A stockholder providing written notice required by this Section 2.4(i) shall update and supplement such notice in writing, if necessary, so that the information provided or required to be provided in such notice is true and correct in all material respects as of (i) the record date for the meeting and (ii) the date that is five business days prior to the meeting and, in the event of any adjournment or postponement thereof, five business days prior to such adjourned or postponed meeting. In the case of an update and supplement pursuant to clause (i) of this Section 2.4(i)(c), such update and supplement shall be received by the secretary at the principal executive offices of the corporation not later than five business days after the record date for the meeting. In the case of an update and supplement pursuant to clause (ii) of this Section 2.4(i)(c), such update and supplement shall be received by the secretary at the principal executive offices of the corporation not later than two business days prior to the date for the meeting, and, in the event of any adjournment or postponement thereof, two business days prior to such adjourned or postponed meeting.

(d) Without exception, no business shall be conducted at any annual meeting except in accordance with the provisions set forth in this Section 2.4(i) and, if applicable, Section 2.4(ii). In addition, business proposed to be brought by a stockholder may not be brought before the annual meeting if such stockholder or a Stockholder Associated Person, as applicable, takes action contrary to the representations made in the Business Solicitation Statement applicable to such business or if the Business Solicitation Statement applicable to such business contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein not misleading. The chairperson of the annual meeting shall, if the facts warrant, determine and declare at the annual meeting that business was not properly brought before the annual meeting and in accordance with the provisions of this Section 2.4(i), and, if the chairperson should so determine, he or she shall so declare at the annual meeting that any such business not properly brought before the annual meeting shall not be conducted.

(ii) *Advance Notice of Director Nominations at Annual Meetings*. Notwithstanding anything in these bylaws to the contrary, only persons who are nominated in

accordance with the procedures set forth in this Section 2.4(ii) shall be eligible for election or re-election as directors at an annual meeting of stockholders. Nominations of persons for election to the board of directors of the corporation shall be made at an annual meeting of stockholders only (A) by or at the direction of the board of directors or (B) by a stockholder of the corporation who (1) was a stockholder of record at the time of the giving of the notice required by this Section 2.4(ii) and on the record date for the determination of stockholders entitled to vote at the annual meeting and (2) has complied with the notice procedures set forth in this Section 2.4(ii). In addition to any other applicable requirements, for a nomination to be made by a stockholder, the stockholder must have given timely notice thereof in proper written form to the secretary of the corporation.

(a) To comply with clause (B) of Section 2.4(ii) above, a nomination to be made by a stockholder must set forth all information required under this Section 2.4(ii) and must be received by the secretary of the corporation at the principal executive offices of the corporation at the time set forth in, and in accordance with, the final three sentences of Section 2.4(i)(a) above; provided additionally, however, that in the event that the number of directors to be elected to the board of directors is increased and there is no Public Announcement naming all of the nominees for director or specifying the size of the increased board made by the corporation at least ten days before the last day a stockholder may deliver a notice of nomination pursuant to the foregoing provisions, a stockholder's notice required by this Section 2.4(ii) shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be received by the secretary of the corporation at the principal executive offices of the corporation not later than the close of business on the tenth day following the day on which such Public Announcement is first made by the corporation.

(b) To be in proper written form, such stockholder's notice to the secretary must set forth:

(1) as to each person (a "**nominee**") whom the stockholder proposes to nominate for election or re-election as a director: (A) the name, age, business address and residence address of the nominee, (B) the principal occupation or employment of the nominee, (C) the class and number of shares of the corporation that are held of record or are beneficially owned by the nominee and any derivative positions held or beneficially held by the nominee, (D) whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of the nominee with respect to any securities of the corporation, and a description of any other agreement, arrangement or understanding (including any short position or any borrowing or lending of shares), the effect or intent of which is to mitigate loss to, or to manage the risk or benefit of share price changes for, or to increase or decrease the voting power of the nominee, (E) a description of all arrangements or understandings between or among any of the stockholder, each nominee and/or any other person or persons (naming such person or persons) pursuant to which the nominations are to be made by the stockholder or relating to the nominee's potential service on the board of directors, (F) a written statement executed by the nominee acknowledging that as a director of the corporation, the nominee will owe a fiduciary duty under Delaware law with respect to the corporation and its stockholders, and (G) any other information relating to the nominee that would be required to be disclosed about such nominee if proxies were being solicited for the election of the nominee as a director, or that is otherwise required, in each case pursuant to Regulation 14A under the 1934 Act (including without limitation the nominee's written consent to being named in the proxy statement, if any, as a nominee and to serving as a director if elected); and

(2) as to such stockholder giving notice, (A) the information required to be provided pursuant to clauses (2) through (5) of Section 2.4(i)(b) above, and the

supplement referenced in the second sentence of Section 2.4(i)(b) above (except that the references to "business" in such clauses shall instead refer to nominations of directors for purposes of this paragraph), and (B) a statement whether either such stockholder or Stockholder Associated Person will deliver a proxy statement and form of proxy to holders at least the percentage of the corporation's voting shares reasonably believed by such stockholder or Stockholder Associated Person to be necessary to elect such nominee(s) (such information provided and statements made as required by clauses (A) and (B) above, a "**Nominee Solicitation Statement**").

(c) At the request of the board of directors, any person nominated by a stockholder for election as a director must furnish to the secretary of the corporation (1) that information required to be set forth in the stockholder's notice of nomination of such person as a director as of a date subsequent to the date on which the notice of such person's nomination was given and (2) such other information as may reasonably be required by the corporation to determine the eligibility of such proposed nominee to serve as an independent director of the corporation or that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such nominee; in the absence of the furnishing of such information if requested, such stockholder's nomination shall not be considered in proper form pursuant to this Section 2.4(ii).

(d) A stockholder providing written notice required by this Section 2.4(ii) shall update and supplement such notice in writing, if necessary, so that the information provided or required to be provided in such notice is true and correct in all material respects as of (i) the record date for the meeting and (ii) the date that is five business days prior to the meeting and, in the event of any adjournment or postponement thereof, five business days prior to such adjourned or postponed meeting. In the case of an update and supplement pursuant to clause (i) of this Section 2.4(ii)(d), such update and supplement shall be received by the secretary at the principal executive offices of the corporation not later than five business days after the record date for the meeting. In the case of an update and supplement pursuant to clause (ii) of this Section 2.4(ii)(d), such update and supplement shall be received by the secretary at the principal executive offices of the corporation not later than two business days prior to the date for the meeting, and, in the event of any adjournment or postponement thereof, two business days prior to such adjourned or postponed meeting.

(e) Without exception, no person shall be eligible for election or re-election as a director of the corporation at an annual meeting of stockholders unless nominated in accordance with the provisions set forth in this Section 2.4(ii). In addition, a nominee shall not be eligible for election or re-election if a stockholder or Stockholder Associated Person, as applicable, takes action contrary to the representations made in the Nominee Solicitation Statement applicable to such nominee or if the Nominee Solicitation Statement applicable to such nominee contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein not misleading. The chairperson of the annual meeting shall, if the facts warrant, determine and declare at the annual meeting that a nomination was not made in accordance with the provisions prescribed by these bylaws, and if the chairperson should so determine, he or she shall so declare at the annual meeting, and the defective nomination shall be disregarded.

(f) To be eligible to be a nominee for election as a director of the corporation, the proposed nominee must deliver (in accordance with the time periods prescribed for delivery of notice under this Section 2.4(iii) to the secretary at the principal executive offices of the corporation a written questionnaire with respect to the background and qualification of such proposed nominee (which questionnaire shall be provided by the secretary upon written request) and a written representation and agreement (in form provided by the secretary upon written request) that such

proposed nominee (i) is not and will not become a party to (A) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such proposed nominee, if elected as a director of the corporation, will act or vote on any issue or question (a "**Voting Commitment**") that has not been disclosed to the corporation or (B) any Voting Commitment that could limit or interfere with such proposed nominee's ability to comply, if elected as a director of the corporation, with such proposed nominee's fiduciary duties under applicable law, (ii) is not, and will not become a party to, any agreement, arrangement or understanding with any person or entity other than the corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed to the corporation and (iii) in such proposed nominee's individual capacity and on behalf of the stockholder (or the beneficial owner, if different) on whose behalf the nomination is made, would be in compliance, if elected as a director of the corporation, and will comply with applicable publicly disclosed corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of the corporation.

(iii) *Advance Notice of Director Nominations for Special Meetings*.

(a) For a special meeting of stockholders at which directors are to be elected pursuant to Section 2.3, nominations of persons for election to the board of directors shall be made only (1) by or at the direction of the board of directors or (2) by any stockholder of the corporation who (A) is a stockholder of record at the time of the giving of the notice required by this Section 2.4(iii) and on the record date for the determination of stockholders entitled to vote at the special meeting and (B) delivers a timely written notice of the nomination to the secretary of the corporation that includes the information set forth in Sections 2.4(ii)(b) and (ii)(c) above. To be timely, such notice must be received by the secretary at the principal executive offices of the corporation not later than the close of business on the later of the 90th day prior to such special meeting or the tenth day following the day on which Public Announcement is first made of the date of the special meeting and of the nominees proposed by the board of directors to be elected at such meeting. In no event shall any adjournment, rescheduling or postponement of a special meeting or the announcement thereof commence a new time period for the giving of a stockholder's notice. A person shall not be eligible for election or re-election as a director at a special meeting unless the person is nominated (i) by or at the direction of the board of directors or (ii) by a stockholder in accordance with the notice procedures set forth in this Section 2.4(iii). In addition, a nominee shall not be eligible for election or re-election if a stockholder or Stockholder Associated Person, as applicable, takes action contrary to the representations made in the Nominee Solicitation Statement applicable to such nominee or if the Nominee Solicitation Statement applicable to such nominee contains an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein not misleading.

(b) The chairperson of the special meeting shall, if the facts warrant, determine and declare at the meeting that a nomination or business was not made in accordance with the procedures prescribed by these bylaws, and if the chairperson should so determine, he or she shall so declare at the meeting, and the defective nomination or business shall be disregarded.

(iv) *Other Requirements and Rights*. In addition to the foregoing provisions of this Section 2.4, a stockholder must also comply with all applicable requirements of state law and of the 1934 Act and the rules and regulations thereunder with respect to the matters set forth in this Section 2.4, including, with respect to business such stockholder intends to bring before the annual meeting that involves a proposal that such stockholder requests to be included in the corporation's proxy statement, the requirements of Rule 14a-8 (or any successor provision) under the 1934 Act. Nothing in this Section 2.4 shall be deemed to affect any right of the corporation to omit a proposal from the corporation's proxy statement pursuant to Rule 14a-8 (or any successor provision) under the 1934 Act.

2.5 Notice of Stockholders' Meetings. Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, if any, date and hour of the meeting, the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, the record date for determining the stockholders entitled to vote at the meeting, if such date is different from the record date for determining stockholders entitled to notice of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Except as otherwise provided in the DGCL, the certificate of incorporation or these bylaws, the written notice of any meeting of stockholders shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to vote at such meeting as of the record date for determining the stockholders entitled to notice of the meeting.

2.6 Quorum. The holders of a majority of the voting power of the stock issued and outstanding and entitled to vote, present in person or represented by proxy, shall constitute a quorum for the transaction of business at all meetings of the stockholders, unless otherwise required by law, the certificate of incorporation, these bylaws or the rules of any applicable stock exchange. Where a separate vote by a class or series or classes or series is required, a majority of the voting power of the issued and outstanding shares of such class or series or classes or series, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that vote on that matter, except as otherwise required by law, the certificate of incorporation, these bylaws or the rules of any applicable stock exchange. A quorum, once established, shall not be broken by the subsequent withdrawal of enough votes to leave less than a quorum. At any such adjourned meeting at which there is a quorum, any business may be transacted that might have been transacted at the meeting originally called.

Whether or not a quorum is present at a meeting of stockholders, the chairperson of the meeting shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting. At such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the original meeting.

2.7 Adjourned Meeting; Notice. When a meeting is adjourned to another time or place, unless these bylaws otherwise require, notice need not be given of the adjourned meeting if the time, place, if any, thereof, and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 30 days, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. If after the adjournment a new record date for stockholders entitled to vote is fixed for the adjourned meeting, the board of directors shall fix a new record date for notice of such adjourned meeting in accordance with Section 213(a) of the DGCL and Section 2.11 of these bylaws, and shall give notice of the adjourned meeting to each stockholder of record entitled to vote at such adjourned meeting as of the record date fixed for notice of such adjourned meeting.

2.8 Conduct Of Business. The chairperson of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of business. The chairperson of any meeting of stockholders shall be designated by the board of directors; in the absence of such designation, the chairman of the board, if any, the chief executive officer (in the absence of the chairman) or the president (in the absence of the chairman of the board and the chief executive officer), or in their absence any other executive officer of the corporation, shall serve as chairperson of the stockholder meeting.

2.9 Voting. The stockholders entitled to vote at any meeting of stockholders shall be determined in accordance with the provisions of Section 2.11 of these bylaws, subject to Section 217 (relating to voting rights of fiduciaries, pledgors and joint owners of stock) and Section 218 (relating to voting trusts and other voting agreements) of the DGCL.

Except as may be otherwise provided in the certificate of incorporation, each stockholder shall be entitled to one vote for each share of capital stock held by such stockholder.

Except as otherwise required by law, the certificate of incorporation, these bylaws or the rules of any applicable stock exchange, in all matters other than the election of directors, the affirmative vote of a majority of the voting power of the shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter shall be the act of the stockholders. Except as otherwise required by law, the certificate of incorporation, these bylaws or the rules of any applicable stock exchange, directors shall be elected by a plurality of the voting power of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. Where a separate vote by a class or series or classes or series is required, in all matters other than the election of directors, the affirmative vote of the majority of the voting power of shares of such class or series or classes or series present in person or represented by proxy at the meeting shall be the act of such class or series or classes or series, except as otherwise provided by law, the certificate of incorporation, these bylaws or the rules of any applicable stock exchange. Voting at meetings of stockholders need not be by written ballot.

2.10 Stockholder Action by Written Consent Without a Meeting. Subject to the rights of the holders of the shares of any series of preferred stock or any other class of stock or series thereof that have been expressly granted the right to take action by written consent, any action required or permitted to be taken by the stockholders of the corporation must be effected at a duly called annual or special meeting of stockholders of the corporation and may not be effected by any consent in writing by such stockholders.

2.11 Record Dates. In order that the corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the board of directors and which record date shall not be more than 60 nor less than 10 days before the date of such meeting. If the board of directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the board of directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination.

If no record date is fixed by the board of directors, the record date for determining stockholders entitled to notice of and to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; *provided, however*, that the board of directors may fix a new record date for determination of stockholders entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for stockholders entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of stockholders entitled to vote in accordance with the provisions of Section 213 of the DGCL and this Section 2.11 at the adjourned meeting.

In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than 60 days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

2.12 Proxies. Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for such stockholder by proxy authorized by an instrument in writing or by a transmission permitted by law filed in accordance with the procedure established for the meeting, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of Section 212 of the DGCL. A written proxy may be in the form of a telegram, cablegram, or other means of electronic transmission which sets forth or is submitted with information from which it can be determined that the telegram, cablegram, or other means of electronic transmission was authorized by the stockholder.

2.13 List of Stockholders Entitled to Vote. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting; *provided, however,* if the record date for determining the stockholders entitled to vote is less than 10 days before the meeting date, the list shall reflect the stockholders entitled to vote as of the tenth day before the meeting date, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. The corporation shall not be required to include electronic mail addresses or other electronic contact information on such list. Such list shall be open to the examination of any stockholder for any purpose germane to the meeting for a period of at least 10 days prior to the meeting: (i) on a reasonably accessible electronic network, *provided* that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the corporation's principal place of business. In the event that the corporation determines to make the list available on an electronic network, the corporation may take reasonable steps to ensure that such information is available only to stockholders of the corporation. If the meeting is to be held at a place, then a list of stockholders entitled to vote at the meeting shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be examined by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then such list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting.

2.14 Inspectors of Election. Before any meeting of stockholders, the board of directors shall appoint an inspector or inspectors of election to act at the meeting or its adjournment. The number of inspectors shall be either one (1) or three (3). If any person appointed as inspector fails to appear or fails or refuses to act, then the chairperson of the meeting may, and upon the request of any stockholder or a stockholder's proxy shall, appoint a person to fill that vacancy; provided further that, in any case, if no inspector or alternate is able to act at a meeting of stockholders, the chairperson of the meeting shall appoint at least one (1) inspector to act at the meeting.

Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath to execute faithfully the duties of inspector with strict impartiality and according to the best of his or her ability. Such inspectors shall:

(i) determine the number of shares outstanding and the voting power of each, the number of shares represented at the meeting, the existence of a quorum, and the authenticity, validity, and effect of proxies;

(ii) receive votes, ballots or consents;

(iii) hear and determine all challenges and questions in any way arising in connection with the right to vote;

(iv) count and tabulate all votes or consents;

(v) determine when the polls shall close;

(vi) determine the result; and

(vii) do any other acts that may be proper to conduct the election or vote with fairness to all stockholders.

The inspectors of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. If there are three (3) inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all. Any report or certificate made by the inspectors of election is *prima facie* evidence of the facts stated therein.

ARTICLE III - DIRECTORS

3.1 Powers. The business and affairs of the corporation shall be managed by or under the direction of the board of directors, except as may be otherwise provided in the DGCL or the certificate of incorporation.

3.2 Number of Directors. The board of directors shall consist of one or more members, each of whom shall be a natural person. Unless the certificate of incorporation fixes the number of directors, the number of directors shall be determined from time to time by resolution of the board of directors. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

3.3 Election, Qualification and Term of Office of Directors. Except as provided in Section 3.4 of these bylaws, each director, including a director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until such director's successor is elected and qualified or until such director's earlier death, resignation or removal. Directors need not be stockholders unless so required by the certificate of incorporation or these bylaws. The certificate of incorporation or these bylaws may prescribe other qualifications for directors.

In accordance with the provisions of the certificate of incorporation, the directors of the corporation shall be divided into three classes.

3.4 Resignation and Vacancies. Any director may resign at any time upon notice given in writing or by electronic transmission to the corporation. A resignation is effective when the resignation is delivered unless the resignation specifies a later effective date or an effective date determined upon the happening of an event or events. A resignation which is conditioned upon the director failing to receive a specified vote for reelection as a director may provide that it is irrevocable. Unless otherwise provided in the certificate of incorporation or these bylaws, when one or more directors resign from the board of directors, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective.

Unless otherwise provided in the certificate of incorporation or these bylaws, vacancies and newly created directorships resulting from any increase in the authorized number of directors elected by all of the stockholders having the right to vote as a single class shall be filled only by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. If the directors are divided into classes, a person so elected by the directors then in office to fill a vacancy or newly created directorship shall hold office until the next election of the class for which such director shall have been chosen and until his or her successor shall have been duly elected and qualified.

If at any time, by reason of death or resignation or other cause, the corporation should have no directors in office, then any officer or any stockholder or an executor, administrator, trustee or guardian of a stockholder, or other fiduciary entrusted with like responsibility for the person or estate of a stockholder, may call a special meeting of stockholders in accordance with the provisions of the certificate of incorporation or these bylaws, or may apply to the Delaware Court of Chancery for a decree summarily ordering an election as provided in Section 211 of the DGCL.

If, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the whole board of directors (as constituted immediately prior to any such increase), the Court of Chancery may, upon application of any stockholder or stockholders holding at least 10% of the voting power of the voting stock at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office as aforesaid, which election shall be governed by the provisions of Section 211 of the DGCL as far as applicable.

3.5 Place of Meetings; Meetings by Telephone. The board of directors may hold meetings, both regular and special, either within or outside the State of Delaware.

Unless otherwise restricted by the certificate of incorporation or these bylaws, members of the board of directors, or any committee designated by the board of directors, may participate in a meeting of the board of directors, or any committee, by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

3.6 Regular Meetings. Regular meetings of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by the board of directors.

3.7 Special Meetings; Notice. Special meetings of the board of directors for any purpose or purposes may be called at any time by the chairman of the board of directors, the chief executive officer, the president, the secretary or a majority of the authorized number of directors, at such times and places as he or she or they shall designate.

Notice of the time and place of special meetings shall be:

(i) delivered personally by hand, by courier or by telephone;

(ii) sent by United States first-class mail, postage prepaid;

(iii) sent by facsimile; or

(iv) sent by electronic mail,

directed to each director at that director's address, telephone number, facsimile number or electronic mail address, as the case may be, as shown on the corporation's records.

If the notice is (i) delivered personally by hand, by courier or by telephone, (ii) sent by facsimile or (iii) sent by electronic mail, it shall be delivered or sent at least 24 hours before the time of the holding of the meeting. If the notice is sent by United States mail, it shall be deposited in the United States mail at least four days before the time of the holding of the meeting. Any oral notice may be communicated to the director. The notice need not specify the place of the meeting (if the meeting is to be held at the corporation's principal executive office) nor the purpose of the meeting.

3.8 Quorum; Voting. At all meetings of the board of directors, a majority of the total authorized number of directors shall constitute a quorum for the transaction of business. If a quorum is not present at any meeting of the board of directors, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for that meeting.

The vote of a majority of the directors present at any meeting at which a quorum is present shall be the act of the board of directors, except as may be otherwise specifically provided by statute, the certificate of incorporation or these bylaws.

If the certificate of incorporation provides that one or more directors shall have more or less than one vote per director on any matter, every reference in these bylaws to a majority or other proportion of the directors shall refer to a majority or other proportion of the votes of the directors.

3.9 Board Action by Written Consent Without a Meeting. Unless otherwise restricted by the certificate of incorporation or these bylaws, any action required or permitted to be taken at any meeting of the board of directors, or of any committee thereof, may be taken without a meeting if all

members of the board of directors or committee, as the case may be, consent thereto in writing or by electronic transmission and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the board of directors or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form. Any person (whether or not then a director) may provide, whether through instruction to an agent or otherwise, that a consent to action will be effective at a future time (including a time determined upon the happening of an event), no later than 60 days after such instruction is given or such provision is made and such consent shall be deemed to have been given for purposes of this Section 3.9 at such effective time so long as such person is then a director and did not revoke the consent prior to such time. Any such consent shall be revocable prior to its becoming effective.

3.10 Fees and Compensation of Directors. Unless otherwise restricted by the certificate of incorporation or these bylaws, the board of directors shall have the authority to fix the compensation of directors.

3.11 Removal of Directors. Unless otherwise provided in the certificate of incorporation, any director may be removed from office by the stockholders of the corporation only for cause by a majority of the voting power of all the then outstanding shares then entitled to vote at the election of directors.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of such director's term of office.

ARTICLE IV - COMMITTEES

4.1 Committees of Directors. The board of directors may designate one or more committees, each committee to consist of one or more of the directors of the corporation. The board of directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the board of directors or in these bylaws, shall have and may exercise all the powers and authority of the board of directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers that may require it; but no such committee shall have the power or authority to (i) approve or adopt, or recommend to the stockholders, any action or matter (other than the election or removal of directors) expressly required by the DGCL to be submitted to stockholders for approval, or (ii) adopt, amend or repeal any bylaw of the corporation.

4.2 Committee Minutes. Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required.

4.3 Meetings and Action of Committees. Meetings and actions of committees shall be governed by, and held and taken in accordance with, the provisions of:

(i) Section 3.5 (place of meetings and meetings by telephone);

(ii) Section 3.6 (regular meetings);

(iii) Section 3.7 (special meetings and notice);

(iv) Section 3.8 (quorum; voting);

(v) Section 7.5 (waiver of notice); and

(vi) Section 3.9 (action without a meeting)

with such changes in the context of those bylaws as are necessary to substitute the committee and its members for the board of directors and its members. *However*:

(i) the time of regular meetings of committees may be determined either by resolution of the board of directors or by resolution of the committee;

(ii) special meetings of committees may also be called by resolution of the board of directors; and

(iii) notice of special meetings of committees shall also be given to all alternate members, who shall have the right to attend all meetings of the committee. The board of directors or a committee may adopt rules for the government of any committee not inconsistent with the provisions of these bylaws.

Any provision in the certificate of incorporation providing that one or more directors shall have more or less than one vote per director on any matter shall apply to voting in any committee or subcommittee, unless otherwise provided in the certificate of incorporation or these bylaws.

4.4 Subcommittees. Unless otherwise provided in the certificate of incorporation, these bylaws or the resolutions of the board of directors designating the committee, a committee may create one or more subcommittees, each subcommittee to consist of one or more members of the committee, and delegate to a subcommittee any or all of the powers and authority of the committee.

ARTICLE V - OFFICERS

5.1 Officers. The officers of the corporation shall be a president and a secretary. The corporation may also have, at the discretion of the board of directors, a chairman of the board of directors, a vice chairman of the board of directors, a chief executive officer, a chief financial officer or treasurer, one or more vice presidents, one or more assistant vice presidents, one or more assistant treasurers, one or more assistant secretaries, and any such other officers as may be appointed in accordance with the provisions of these bylaws. Any number of offices may be held by the same person.

5.2 Appointment of Officers. The board of directors shall appoint the officers of the corporation, except such officers as may be appointed in accordance with the provisions of Sections 5.3 of these bylaws, subject to the rights, if any, of an officer under any contract of employment.

5.3 Subordinate Officers. The board of directors may appoint, or empower the chief executive officer or, in the absence of a chief executive officer, the president, to appoint, such other

officers and agents as the business of the corporation may require. Each of such officers and agents shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws or as the board of directors may from time to time determine.

5.4 Removal and Resignation of Officers. Subject to the rights, if any, of an officer under any contract of employment, any officer may be removed, either with or without cause, by an affirmative vote of the majority of the board of directors at any regular or special meeting of the board of directors or, except in the case of an officer chosen by the board of directors, by any officer upon whom such power of removal may be conferred by the board of directors.

Any officer may resign at any time by giving written notice to the corporation. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice. Unless otherwise specified in the notice of resignation, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party.

5.5 Vacancies in Offices. Any vacancy occurring in any office of the corporation shall be filled by the board of directors or as provided in Section 5.3.

5.6 Representation of Shares of Other Corporations. The chairman of the board of directors, the president, any vice president, the treasurer, the secretary or assistant secretary of this corporation, or any other person authorized by the board of directors or the president or a vice president, is authorized to vote, represent, and exercise on behalf of this corporation all rights incident to any and all shares or other equity interests of any other corporation or corporations or entity or entities standing in the name of this corporation. The authority granted herein may be exercised either by such person directly or by any other person authorized to do so by proxy or power of attorney duly executed by such person having the authority.

5.7 Authority and Duties of Officers. All officers of the corporation shall respectively have such authority and perform such duties in the management of the business of the corporation as may be designated from time to time by the board of directors or the stockholders and, to the extent not so provided, as generally pertain to their respective offices, subject to the control of the board of directors.

ARTICLE VI - STOCK

6.1 Stock Certificates; Partly Paid Shares. The shares of the corporation shall be represented by certificates, provided that the board of directors may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated shares that may be evidenced by a book-entry system maintained by the registrar of such stock. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the corporation. Every holder of stock represented by certificates shall be entitled to have a certificate signed by, or in the name of the corporation by the chairman of the board of directors or vice- chairman of the board of directors, or the president or a vice-president, and by the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the corporation representing the number of shares registered in certificate form. Any or all of the signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate has ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue. The corporation shall not have power to issue a certificate in bearer form.

The corporation may issue the whole or any part of its shares as partly paid and subject to call for the remainder of the consideration to be paid therefor. Upon the face or back of each stock certificate issued to represent any such partly-paid shares, or upon the books and records of the corporation in the case of uncertificated partly-paid shares, the total amount of the consideration to be paid therefor and the amount paid thereon shall be stated. Upon the declaration of any dividend on fully-paid shares, the corporation shall declare a dividend upon partly-paid shares of the same class, but only upon the basis of the percentage of the consideration actually paid thereon.

6.2 Special Designation on Certificates. If the corporation is authorized to issue more than one class of stock or more than one series of any class, then the powers, the designations, the preferences, and the relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights shall be set forth in full or summarized on the face or back of the certificate that the corporation shall issue to represent such class or series of stock; *provided, however*, that, except as otherwise provided in Section 202 of the DGCL, in lieu of the foregoing requirements there may be set forth on the face or back of the certificate that the corporation shall issue to represent such class or series of stock, a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Within a reasonable time after the issuance or transfer of uncertificated stock, the corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to this Section 6.2 or Sections 151, 156, 202(a) or 218(a) of the DGCL or with respect to this Section 6.2 a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Except as otherwise expressly provided by law, the rights and obligations of the holders of uncertificated stock and the rights and obligations of the holders of certificates representing stock of the same class and series shall be identical.

6.3 Lost Certificates. Except as provided in this Section 6.3, no new certificates for shares shall be issued to replace a previously issued certificate unless the latter is surrendered to the corporation and cancelled at the same time. The corporation may issue a new certificate of stock or uncertificated shares in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the corporation may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to give the corporation a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate or uncertificated shares.

6.4 Dividends. The board of directors, subject to any restrictions contained in the certificate of incorporation or applicable law, may declare and pay dividends upon the shares of the corporation's capital stock.

The board of directors may set apart out of any of the funds of the corporation available for dividends a reserve or reserves for any proper purpose and may abolish any such reserve. Such purposes shall include but not be limited to equalizing dividends, repairing or maintaining any property of the corporation, and meeting contingencies.

6.5 Transfer of Stock. Transfers of record of shares of stock of the corporation shall be made only upon its books by the holders thereof, in person or by an attorney duly authorized, and, subject to Section 6.3 of these bylaws, if such stock is certificated, upon the surrender of a certificate or certificates for a like number of shares, properly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer.

6.6 Stock Transfer Agreements. The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the DGCL.

6.7 Registered Stockholders. The corporation:

(i) shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends and to vote as such owner;

(ii) shall be entitled to hold liable for calls and assessments the person registered on its books as the owner of shares; and

(iii) shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of another person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VII - MANNER OF GIVING NOTICE AND WAIVER

7.1 Notice of Stockholders' Meetings. Notice of any meeting of stockholders, if mailed, is given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the corporation's records. An affidavit of the secretary or an assistant secretary of the corporation or of the transfer agent or other agent of the corporation that the notice has been given shall, in the absence of fraud, be *prima facie* evidence of the facts stated therein.

7.2 Notice by Electronic Transmission. Without limiting the manner by which notice otherwise may be given effectively to stockholders pursuant to the DGCL, the certificate of incorporation or these bylaws, any notice to stockholders given by the corporation under any provision of the DGCL, the certificate of incorporation or these bylaws shall be effective if given by a form of electronic transmission consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the corporation. Any such consent shall be deemed revoked if:

(i) the corporation is unable to deliver by electronic transmission two consecutive notices given by the corporation in accordance with such consent; and

(ii) such inability becomes known to the secretary or an assistant secretary of the corporation or to the transfer agent, or other person responsible for the giving of notice.

However, the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action.

Any notice given pursuant to the preceding paragraph shall be deemed given:

(i) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice;

(ii) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice;

(iii) if by a posting on an electronic network together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and

(iv) if by any other form of electronic transmission, when directed to the stockholder.

An affidavit of the secretary or an assistant secretary or of the transfer agent or other agent of the corporation that the notice has been given by a form of electronic transmission shall, in the absence of fraud, be *prima facie* evidence of the facts stated therein.

An "**electronic transmission**" means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved, and reviewed by a recipient thereof, and that may be directly reproduced in paper form by such a recipient through an automated process.

Notice by a form of electronic transmission shall not apply with respect to Sections 164, 296, 311, 312 or 324 of the DGCL.

7.3 Notice to Stockholders Sharing an Address. Except as otherwise prohibited under the DGCL, without limiting the manner by which notice otherwise may be given effectively to stockholders, any notice to stockholders given by the corporation under the provisions of the DGCL, the certificate of incorporation or these bylaws shall be effective if given by a single written notice to stockholders who share an address if consented to by the stockholders at that address to whom such notice is given. Any such consent shall be revocable by the stockholder by written notice to the corporation. Any stockholder who fails to object in writing to the corporation, within 60 days of having been given written notice by the corporation of its intention to send the single notice, shall be deemed to have consented to receiving such single written notice.

7.4 Notice to Person with Whom Communication is Unlawful. Whenever notice is required to be given, under the DGCL, the certificate of incorporation or these bylaws, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the corporation is such as to require the filing of a certificate under the DGCL, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

7.5 Waiver of Notice. Whenever notice is required to be given under any provision of the DGCL, the certificate of incorporation or these bylaws, a written waiver, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice or any waiver by electronic transmission unless so required by the certificate of incorporation or these bylaws.

ARTICLE VIII - INDEMNIFICATION

8.1 Indemnification of Directors and Officers in Third Party Proceedings. Subject to the other provisions of this Article VIII, the corporation shall indemnify, to the fullest extent permitted by the DGCL, as now or hereinafter in effect, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative, investigative or other (a "**Proceeding**") (other than an action by or in the right of the corporation) by reason of the fact that such person is or was a director or officer of the corporation, or is or was a director or officer of the corporation serving at the request of the corporation as a director, officer, employee, member, manager, trustee or agent of another corporation, limited liability company, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), damages, losses, liabilities, judgments, fines, penalties, ERISA excise taxes, amounts paid or payable in settlement, any federal, state, local or foreign taxes, and all other charges paid or payable by such person in connection with investigating, defending, being a witness in or participating in, or preparing to defend, be a witness or participate in, any Proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. The termination of any Proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person's conduct was unlawful.

8.2 Indemnification of Directors and Officers in Actions by or in the Right of the Corporation. Subject to the other provisions of this Article VIII, the corporation shall indemnify, to the fullest extent permitted by the DGCL, as now or hereinafter in effect, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that such person is or was a director or officer of the corporation, or is or was a director or officer of the corporation serving at the request of the corporation as a director, officer, employee, member, manager, trustee or agent of another corporation, limited liability company, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees), damages, losses, liabilities, judgments, fines, penalties, ERISA excise taxes, amounts paid or payable in settlement, any federal, state, local or foreign taxes, and all other charges paid or payable by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be

liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

8.3 Successful Defense. To the extent that a present or former director or officer of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described in Section 8.1 or Section 8.2, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees), damages, losses, liabilities, judgments, fines, penalties, ERISA excise taxes, amounts paid or payable in settlement, any federal, state, local or foreign taxes, and all other charges paid or payable by such person in connection therewith.

8.4 Indemnification of Others. Subject to the other provisions of this Article VIII, the corporation shall have power to indemnify its employees and agents to the extent not prohibited by the DGCL or other applicable law. The board of directors shall have the power to delegate to such person or persons as the board shall in its discretion determine the determination of whether employees or agents shall be indemnified.

8.5 Advance Payment of Expenses. Expenses (including attorneys' fees) actually and reasonably incurred by an officer or director of the corporation in defending any Proceeding shall be paid by the corporation in advance of the final disposition of such Proceeding upon receipt of a written request therefor (together with documentation reasonably evidencing such expenses) and an undertaking by or on behalf of the person to repay such amounts if it shall ultimately be determined that the person is not entitled to be indemnified under this Article VIII or the DGCL. Such expenses (including attorneys' fees) incurred by former directors and officers or other employees and agents of the corporation or by persons serving at the request of the corporation as directors, officers, employees or agents of another corporation, partnership, joint venture, trust or other enterprise may be so paid upon such terms and conditions, if any, as the corporation deems appropriate. The right to advancement of expenses shall not apply to any claim for which indemnity is excluded pursuant to these bylaws, but shall apply to any Proceeding referenced in Section 8.6(ii) or 8.6(iii) prior to a determination that the person is not entitled to be indemnified by the corporation.

8.6 Limitation on Indemnification. Subject to the requirements in Section 8.3 and the DGCL, the corporation shall not be obligated to indemnify any person pursuant to this Article VIII in connection with any Proceeding (or any part of any Proceeding):

(i) for which payment has actually been made to or on behalf of such person under any statute, insurance policy, indemnity provision, vote or otherwise, except with respect to any excess beyond the amount paid;

(ii) for the disgorgement of profits arising from the purchase or sale by such person of securities of the corporation in violation of Section 16(b) of the 1934 Act, or any similar successor statute, state law or other law;

(iii) for any reimbursement to the corporation of any bonus or other incentive-based or equity-based compensation previously received by such person or payment of any profits realized by such person from the sale of securities of the corporation, as required in each case under the 1934 Act (including any such reimbursements under Section 304 of the Sarbanes-Oxley Act of 2002 in

connection with an accounting restatement of the corporation or the payment to the corporation of profits arising from the purchase or sale by such person of securities in violation of Section 306 of the Sarbanes-Oxley Act);

(iv) initiated by such person, including any Proceeding against the corporation or its directors, officers, employees, or other indemnitees and not by way of defense, except (a) proceedings regarding indemnification for expenses in enforcing rights (unless a court of competent jurisdiction determines that each of the material assertions made by such person in such proceeding was not made in good faith or was frivolous); or (b) where the corporation has joined in or the board has consented to the initiation of such proceedings; or

(v) if a final decision by a court of competent jurisdiction determines that such indemnification is prohibited by applicable law; provided, however, that if any provision or provisions of this Article VIII shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (1) the validity, legality and enforceability of the remaining provisions of this Article VIII (including, without limitation, each portion of any paragraph or clause containing any such provision held to be invalid, illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (2) to the fullest extent possible, the provisions of this Article VIII (including, without limitation, each such portion of any paragraph or clause containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

8.7 Determination; Claim. The corporation shall indemnify any claimants person against any and all expenses that are incurred by such person in connection with any action for indemnification or advancement of expenses from the corporation under this Article VIII, to the extent such person is successful in such action, and to the extent not prohibited by law. In any such suit, the corporation shall, to the fullest extent not prohibited by law, have the burden of proving that the claimant is not entitled to the requested indemnification or advancement of expenses.

8.8 Non-Exclusivity of Rights. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the certificate of incorporation or any statute, bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office. The corporation is specifically authorized to enter into individual contracts with any or all of its directors, officers, employees or agents respecting indemnification and advancement of expenses, to the fullest extent not prohibited by the DGCL or other applicable law.

8.9 Insurance. The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the corporation would have the power to indemnify such person against such liability under the provisions of the DGCL.

8.10 Survival. The rights to indemnification and advancement of expenses conferred by this Article VIII shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

8.11 Effect of Repeal or Modification. A right to indemnification or to advancement of expenses arising under a provision of the certificate of incorporation or a bylaw shall not be eliminated or impaired by an amendment to the certificate of incorporation or these bylaws after the occurrence of the act or omission that is the subject of the civil, criminal, administrative or investigative action, suit or proceeding for which indemnification or advancement of expenses is sought, unless the provision in effect at the time of such act or omission explicitly authorizes such elimination or impairment after such action or omission has occurred.

8.12 Certain Definitions. For purposes of this Article VIII, references to the "**corporation**" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued. For purposes of this Article VIII, references to "**other enterprises**" shall include employee benefit plans; references to "**fines**" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "**serving at the request of the corporation**" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "**not opposed to the best interests of the corporation**" as referred to in this Article VIII.

ARTICLE IX - GENERAL MATTERS

9.1 Execution of Corporate Contracts and Instruments. Except as otherwise provided by law, the certificate of incorporation or these bylaws, the board of directors may authorize any officer or officers, or agent or agents, to enter into any contract or execute any document or instrument in the name of and on behalf of the corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the board of directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

9.2 Fiscal Year. The fiscal year of the corporation shall be fixed by resolution of the board of directors and may be changed by the board of directors.

9.3 Seal. The corporation may adopt a corporate seal, which shall be adopted and which may be altered by the board of directors. The corporation may use the corporate seal by causing it or a facsimile thereof to be impressed or affixed or in any other manner reproduced.

9.4 Checks, Notes, Drafts, Etc. All checks, notes, drafts or other orders for the payment of money of the Corporation shall be signed, endorsed or accepted in the name of the corporation by such officer, officers, person or persons as from time to time may be designated by the board of directors or by an officer or officers authorized by the board of Directors to make such designation.

9.5 Conflict With Applicable Law or Certificate of Incorporation. These bylaws are adopted subject to any applicable law and the certificate of incorporation. Whenever these bylaws may conflict with any applicable law or the certificate of incorporation, such conflict shall be resolved in favor of such law or the certificate of incorporation.

9.6 Construction; Definitions. Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the DGCL shall govern the construction of these bylaws. Without limiting the generality of this provision, the singular number includes the plural, the plural number includes the singular, and the term "**person**" includes both a corporation and a natural person.

ARTICLE X - AMENDMENTS

These bylaws may be adopted, amended or repealed by the stockholders entitled to vote; provided, however, that the affirmative vote of the holders of at least eighty percent (80%) of the total voting power of outstanding voting securities, voting together as a single class, shall be required for the stockholders of the corporation to alter, amend or repeal, or adopt any provision of these bylaws. The board of directors shall also have the power to adopt, amend or repeal bylaws.

A bylaw amendment adopted by stockholders which specifies the votes that shall be necessary for the election of directors shall not be further amended or repealed by the board of directors.

APPFOLIO, INC.

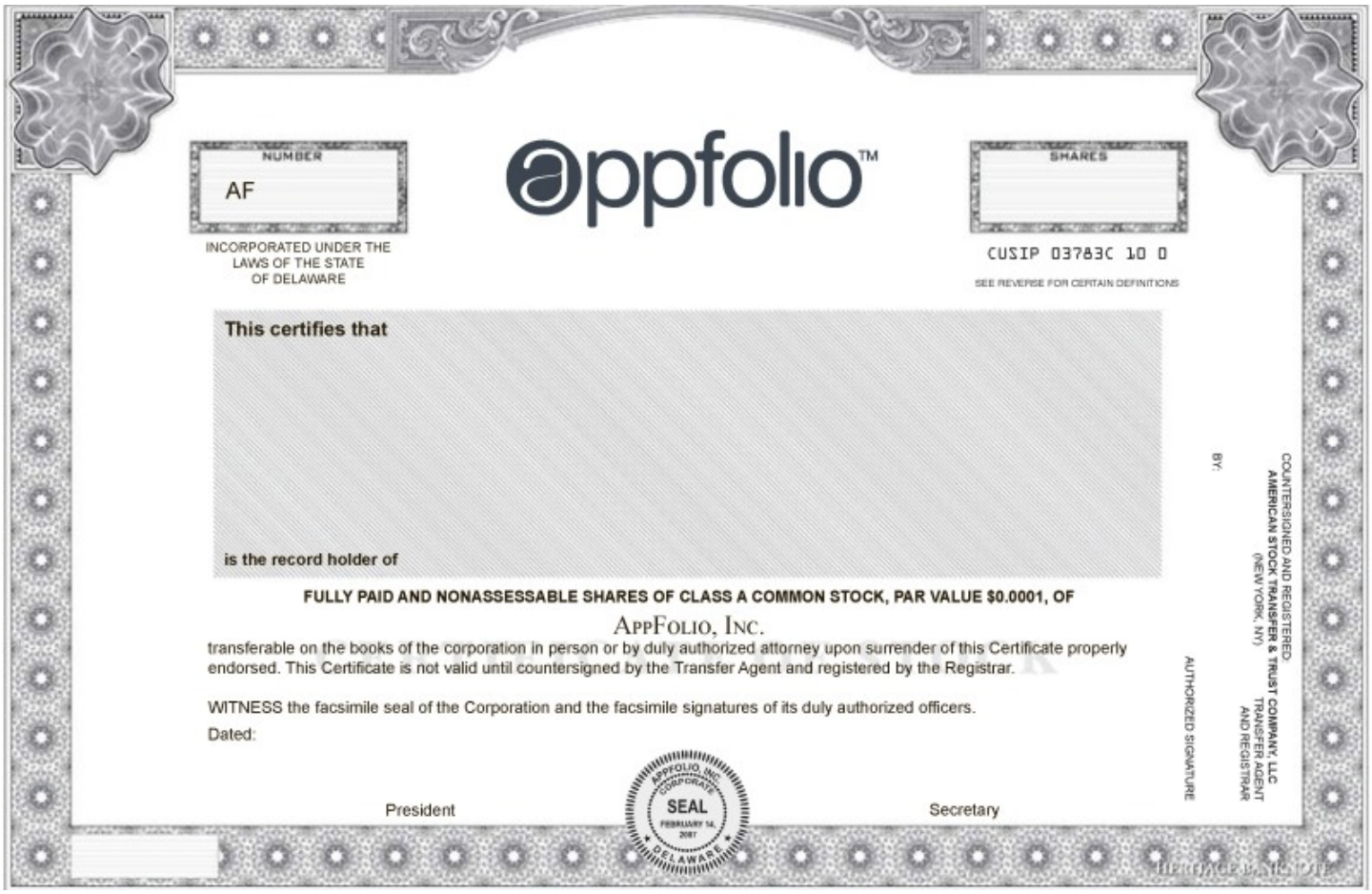
CERTIFICATE OF AMENDMENT OF BYLAWS

The undersigned hereby certifies that he or she is the duly elected, qualified, and acting Secretary or Assistant Secretary of AppFolio, Inc., a Delaware corporation and that the foregoing bylaws were amended and restated on [ ], 2015 by the corporation's board of directors.

IN WITNESS WHEREOF, the undersigned has hereunto set his or her hand this day of [ ], 2015.

C. Craig Carlson
Secretary

Exhibit 4.1



NUMBER

AF

SHARES

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

CUSIP 03783C 10 0

SEE REVERSE FOR CERTAIN DEFINITIONS

This certifies that

is the record holder of

FULLY PAID AND NONASSESSABLE SHARES OF CLASS A COMMON STOCK, PAR VALUE $0.0001, OF

APPFOLIO, INC.

transferable on the books of the corporation in person or by duly authorized attorney upon surrender of this Certificate properly endorsed. This Certificate is not valid until countersigned by the Transfer Agent and registered by the Registrar.

WITNESS the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated:

President

APPFOLIO, INC. CORPORATE SEAL FEBRUARY 14, 2007 DELAWARE

Secretary

COUNTERSIGNED AND REGISTERED:
AMERICAN STOCK TRANSFER & TRUST COMPANY, LLC
(NEW YORK, NY)
TRANSFER AGENT AND REGISTRAR

BY:

AUTHORIZED SIGNATURE

The Corporation shall furnish without charge to each stockholder who so requests a statement of the powers, designations, preferences and relative, participating, optional or other special rights of each class of stock of the Corporation or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Such requests shall be made to the Corporation's Secretary at the principal office of the Corporation.

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	–	as tenants in common
TEN ENT	–	as tenants by the entireties
JT TEN	–	as joint tenants with right of survivorship and not as tenants in common
COM PROP	–	as community property

UNIF GIFT MIN ACT – ..... Custodian .....
(Cust) (Minor)
under Uniform Gifts to Minors Act.....
(State)

UNIF TRF MIN ACT – ..... Custodian (until age .....)
(Cust)
..... under Uniform Transfers
(Minor)
to Minors Act.....
(State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, _____ hereby sell(s), assign(s) and transfer(s) unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

_____
(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

_____

_____

_____ shares
of the capital stock represented by within Certificate, and do hereby irrevocably constitute and appoint

_____ attorney-in-fact
to transfer the said stock on the books of the within named Corporation with full power of the substitution in the premises.

Dated _____

X _____

X _____

Signature(s) Guaranteed:

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATSOEVER.

By _____

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION, (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15. GUARANTEES BY A NOTARY PUBLIC ARE NOT ACCEPTABLE. SIGNATURE GUARANTEES MUST NOT BE DATED.

Exhibit 4.2

APPFOLIO, INC.

AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

TABLE OF CONTENTS

SCHEDULES

APPFOLIO, INC.
AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

THIS AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT ("**Agreement**") is made as of the 26th day of November, 2013, by and among AppFolio, Inc., a Delaware corporation (the "**Company**"), and each of the investors listed on Schedule A hereto, each of which is referred to in this Agreement as an "**Investor**," and any Additional Purchaser (as defined in the Purchase Agreement) that becomes a party to this Agreement in accordance with Section 6.9 hereof.

RECITALS

WHEREAS, certain of the Investors (the "**Existing Investors**") hold shares of the Company's Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and/or shares of Common Stock issued upon conversion thereof and possess registration rights, information rights, rights of first offer, and other rights pursuant to an Amended and Restated Investors' Rights Agreement dated as of September 11, 2012 between the Company and such Investors (the "**Prior Agreement**");

WHEREAS, the Existing Investors are holders of a majority of the Registrable Securities of the Company then outstanding (as defined in the Prior Agreement), and desire to amend and restate the Prior Agreement in its entirety and to accept the rights created pursuant to this Agreement in lieu of the rights granted to them under the Prior Agreement; and

WHEREAS, certain of the Investors are parties to that certain Series B-3 Preferred Stock Purchase Agreement of even date herewith between the Company and certain of the Investors (the "**Purchase Agreement**"), under which certain of the Company's and such Investors' obligations are conditioned upon the execution and delivery of this Agreement by such Investors, Existing Investors holding a majority of the Registrable Securities then outstanding, and the Company;

NOW, THEREFORE, the Existing Investors hereby agree that the Prior Agreement shall be amended and restated, and the parties to this Agreement further agree as follows:

1. Definitions. For purposes of this Agreement:

1.1 "**Affiliate**" means, with respect to any specified Person, any other Person who or which, directly or indirectly, controls, is controlled by, or is under common control with such specified Person, including without limitation any general partner, limited partner, member, officer, director or manager of such Person and any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or shares the same management company with, such Person.

1.2 "**Common Stock**" means shares of the Company's common stock, par value $0.0001 per share.

1.3 "**Damages**" means any loss, damage, claim, or liability (joint or several) to which a party hereto may become subject under the Securities Act, the Exchange Act, or other federal or state law, insofar as such loss, damage, claim or liability (or any action in respect thereof) arises out of or is based upon (i) any untrue statement or alleged untrue statement of a material fact contained in any registration statement of the Company, including any preliminary prospectus or

final prospectus contained therein or any amendments or supplements thereto; (ii) an omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading; or (iii) any violation or alleged violation by the indemnifying party (or any of its agents or Affiliates) of the Securities Act, the Exchange Act, any state securities law, or any rule or regulation promulgated under the Securities Act, the Exchange Act, or any state securities law.

1.4 "**Derivative Securities**" means any securities or rights convertible into, or exercisable or exchangeable for (in each case, directly or indirectly), Common Stock, including options and warrants.

1.5 "**Exchange Act**" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

1.6 "**Excluded Registration**" means (i) a registration relating to the sale of securities to employees of the Company or a subsidiary pursuant to a stock option, stock purchase, or similar plan; (ii) a registration relating to an SEC Rule 145 transaction; (iii) a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities; or (iv) a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities that are also being registered.

1.7 "**Form S-1**" means such form under the Securities Act as in effect on the date hereof or any successor registration form under the Securities Act subsequently adopted by the SEC.

1.8 "**Form S-2**" means such form under the Securities Act as in effect on the date hereof or any successor registration form under the Securities Act subsequently adopted by the SEC.

1.9 "**Form S-3**" means such form under the Securities Act as in effect on the date hereof or any registration form under the Securities Act subsequently adopted by the SEC that permits incorporation of substantial information by reference to other documents filed by the Company with the SEC.

1.10 "**GAAP**" means generally accepted accounting principles in the United States.

1.11 "**Holder**" means any holder of Registrable Securities who is a party to this Agreement.

1.12 "**Immediate Family Member**" means a child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, of a natural person referred to herein.

1.13 "**Initiating Holders**" means, collectively, Holders who properly initiate a registration request under this Agreement.

1.14 "**IPO**" means the Company's first underwritten public offering of its Common Stock under the Securities Act.

1.15 "**Major Investor**" means any Investor that, individually or together with such Investor's Affiliates, holds at least 2,500,000 shares of Registrable Securities (as adjusted for any stock split, stock dividend, combination, or other recapitalization or reclassification effected after the date hereof).

1.16 "**New Securities**" means, collectively, equity securities of the Company, whether or not currently authorized, as well as rights, options, or warrants to purchase such equity securities, or securities of any type whatsoever that are, or may become, convertible or exchangeable into or exercisable for such equity securities.

1.17 "**Person**" means any individual, corporation, partnership, trust, limited liability company, association or other entity.

1.18 "**Preferred Stock**" means, collectively, shares of the Company's Series A Preferred Stock, Series B Preferred Stock, Series B-1 Preferred Stock, Series B-2 Preferred Stock and Series B-3 Preferred Stock.

1.19 "**Registrable Securities**" means (i) the Common Stock issuable or issued upon conversion of the Preferred Stock; and (ii) any Common Stock issued as (or issuable upon the conversion or exercise of any warrant, right, or other security that is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, the shares referenced in clause (i) above; excluding in all cases, however, any Registrable Securities sold by a Person in a transaction in which the applicable rights under this Agreement are not assigned pursuant to Section 6.1, and excluding for purposes of Section 2 any shares for which registration rights have terminated pursuant to Section 2.13 of this Agreement.

1.20 "**Registrable Securities then outstanding**" means the number of shares determined by adding the number of shares of outstanding Common Stock that are Registrable Securities and the number of shares of Common Stock issuable (directly or indirectly) pursuant to then exercisable and/or convertible securities that are Registrable Securities.

1.21 "**Restricted Securities**" means the securities of the Company required to bear or notated with the legend set forth in Section 2.12(b) hereof.

1.22 "**SEC**" means the Securities and Exchange Commission.

1.23 "**SEC Rule 144**" means Rule 144 promulgated by the SEC under the Securities Act.

1.24 "**SEC Rule 145**" means Rule 145 promulgated by the SEC under the Securities Act.

1.25 "**Securities Act**" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

1.26 "**Selling Expenses**" means all underwriting discounts, selling commissions, and stock transfer taxes applicable to the sale of Registrable Securities, and fees and disbursements of counsel for any Holder, except for the fees and disbursements of the Selling Holder Counsel borne and paid by the Company as provided in Section 2.6.

1.27 "**Series A Preferred Stock**" means shares of the Company's Series A Preferred Stock, par value $0.0001 per share.

1.28 "**Series B Preferred Stock**" means shares of the Company's Series B Preferred Stock, par value $0.0001 per share.

1.29 "**Series B-1 Preferred Stock**" means shares of the Company's Series B-1 Preferred Stock, par value $0.0001 per share.

1.30 "**Series B-2 Preferred Stock**" means shares of the Company's Series B-2 Preferred Stock, par value $0.0001 per share.

1.31 "**Series B-3 Preferred Stock**" means shares of the Company's Series B-3 Preferred Stock, par value $0.0001 per share.

2. Registration Rights. The Company covenants and agrees as follows:

2.1 Demand Registration.

(a) Form S-1 Demand. If at any time after the earlier of (i) three (3) years after the date of this Agreement or (ii) one hundred eighty (180) days after the effective date of the registration statement for the IPO, the Company receives a request from Holders of forty percent (40%) of the Registrable Securities then outstanding that the Company file a Form S-1 registration statement with respect to at least forty percent (40%) of the Registrable Securities then outstanding, then the Company shall (i) within ten (10) days after the date such request is given, give notice thereof (the "**Demand Notice**") to all Holders other than the Initiating Holders; and (ii) as soon as practicable, and in any event within sixty (60) days after the date such request is given by the Initiating Holders, file a Form S-1 registration statement under the Securities Act covering all Registrable Securities that the Initiating Holders requested to be registered and any additional Registrable Securities requested to be included in such registration by any other Holders, as specified by notice given by each such Holder to the Company within thirty (30) days of the date the Demand Notice is given, and in each case, subject to the limitations of Section 2.1(c) and Section 2.3.

(b) Form S-3 Demand. If at any time when it is eligible to use a Form S-3 registration statement, the Company receives a request from Holders of the Registrable Securities then outstanding that the Company file a Form S-3 registration statement with respect to outstanding Registrable Securities of such Holders having an anticipated aggregate offering price, net of Selling Expenses, of at least $500,000.00, then the Company shall (i) within ten (10) days after the date such request is given, give a Demand Notice to all Holders other than the Initiating Holders; and (ii) as soon as practicable, and in any event within sixty (60) days after the date such request is given by the Initiating Holders, file a Form S-3 registration statement under the Securities Act covering all Registrable Securities requested to be included in such registration by any other Holders, as specified by notice given by each such Holder to the Company within thirty (30) days of the date the Demand Notice is given, and in each case, subject to the limitations of Section 2.1(c) and Section 2.3.

(c) Notwithstanding the foregoing obligations, if the Company furnishes to Holders requesting a registration pursuant to this Section 2.1 a certificate signed by the Company's chief executive officer stating that in the good faith judgment of the Company's Board of Directors it would be materially detrimental to the Company and its stockholders for such registration statement to either become effective or remain effective for as long as such registration statement otherwise would be required to remain effective, because such action would be materially detrimental to the Company and its stockholders for such registration statement to be filed, it is therefore necessary to defer the filing of such registration statement, then the Company shall have the right to defer taking action with respect to such filing for a period of not more than ninety (90) days after the request of the Initiating Holders is given; provided, however, that the Company may not invoke this right more than once in any twelve (12) month period.

(d) The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to Section 2.1(a) (i) during the period that is ninety (90) days before the Company's good faith estimate of the date of filing of, and ending on a date that is one hundred eighty (180) days after the effective date of, a Company-initiated registration, provided, that the Company is actively employing in good faith commercially reasonable efforts to cause such registration statement to become effective; (ii) after the Company has effected two registrations pursuant to Section 2.1(a); or (iii) if the Initiating Holders propose to dispose of shares of Registrable Securities that may be immediately registered on Form S-3 pursuant to a request made pursuant to Section 2.1(b). The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to Section 2.1(b) (i) during the period that is ninety (90) days before the Company's good faith estimate of the date of filing of, and ending on a date that is one hundred eighty (180) days after the effective date of, a Company-initiated registration, provided, that the Company is actively employing in good faith commercially reasonable efforts to cause such registration statement to become effective; or (ii) if the Company has effected two registrations pursuant to Section 2.1(b) within the twelve (12) month period immediately preceding the date of such request. A registration shall not be counted as "effected" for purposes of this Section 2.1(d) until such time as the applicable registration statement has been declared effective by the SEC, unless the Initiating Holders withdraw their request for such registration, elect not to pay the registration expenses therefor, and forfeit their right to one demand registration statement pursuant to Section 2.6, in which case such withdrawn registration statement shall be counted as "effected" for purposes of this Section 2.1(d), unless the withdrawal was caused by a material adverse change in the Company's business, finances or results of operations arising after the date of the request of registration, in which case such withdrawn registration statement will not be counted as "effected" under this Section 2.1(d).

2.2 Company Registration. If the Company proposes to register (including, for this purpose, a registration effected by the Company for stockholders other than the Holders) any of its securities under the Securities Act in connection with the public offering of such securities solely for cash (other than in an Excluded Registration), the Company shall, at such time, promptly give each Holder notice of such registration. Upon the request of each Holder given within twenty (20) days after such notice is given by the Company, the Company shall, subject to the provisions of Section 2.3, cause to be registered all of the Registrable Securities that each such Holder has requested to be included in such registration. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 2.2 before the effective date of such registration, whether or not any Holder has elected to include Registrable Securities in such registration. The expenses (other than Selling Expenses) of such withdrawn registration shall be borne by the Company in accordance with Section 2.6.

2.3 Underwriting Requirements.

(a) If, pursuant to Section 2.1, the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to Section 2.1, and the Company shall include such information in the Demand Notice. The underwriter(s) will be selected by the Company and shall be reasonably acceptable to a majority in interest of the Initiating Holders. In such event, the right of any Holder to include such Holder's Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall (together with the Company as provided in Section 2.4(e)) enter into an underwriting agreement in customary form with the underwriter(s) selected for such underwriting. Notwithstanding any other provision of this Section 2.3, if the underwriter(s) advise(s) the Initiating Holders in writing that marketing factors require a limitation on the number of shares to be underwritten, then the Initiating Holders shall so advise all Holders of Registrable Securities that otherwise would be underwritten pursuant hereto, and the number of Registrable Securities that may be included in the underwriting shall be allocated among such Holders of Registrable Securities, including the Initiating Holders, in proportion (as nearly as practicable) to the number of Registrable Securities owned by each Holder or in such other proportion as shall mutually be agreed to by all such selling Holders (except those selling Holders all of whose Registrable Securities are being included in the underwriting); provided, however, that the number of Registrable Securities held by the Holders to be included in such underwriting shall not be reduced unless all other securities are first entirely excluded from the underwriting. To facilitate the allocation of shares in accordance with the above provisions, the Company or the underwriters may round the number of shares allocated to any Holder to the nearest 100 shares.

(b) In connection with any offering involving an underwriting of shares of the Company's capital stock pursuant to Section 2.2, the Company shall not be required to include any of the Holders' Registrable Securities in such underwriting unless the Holders accept the terms of the underwriting as agreed upon between the Company and its underwriters, and then only in such quantity as the underwriters in their sole discretion determine will not jeopardize the success of the offering by the Company. If the total number of securities, including Registrable Securities, requested by stockholders to be included in such offering exceeds the number of securities to be sold (other than by the Company) that the underwriters in their reasonable discretion determine is compatible with the success of the offering, then the Company shall be required to include in the offering only that number of such securities, including Registrable Securities, which the underwriters and the Company in their sole discretion determine will not jeopardize the success of the offering. If the underwriters determine that less than all of the Registrable Securities requested to be registered can be included in such offering, then the Registrable Securities that are included in such offering shall be allocated among the selling Holders in proportion (as nearly as practicable) to the number of Registrable Securities owned by each selling Holder or in such other proportions as shall mutually be agreed to by all such selling Holders. To facilitate the allocation of shares in accordance with the above provisions, the Company or the underwriters may round the number of shares allocated to any Holder to the nearest 100 shares. Notwithstanding the foregoing, in no event shall (i) the number of Registrable Securities included in the offering be reduced unless all other securities (other than securities to be sold by the Company) are first entirely excluded from the offering, or (ii) the number of Registrable Securities included in the offering be reduced below twenty-five percent (25%) of the total number of securities included in such offering, unless such offering is the IPO, in which case the selling Holders may be excluded further if the underwriters make the determination described above

and no other stockholder's securities are included in such offering. For purposes of the provision in this Section 2.3(b) concerning apportionment, for any selling Holder that is a partnership, limited liability company, or corporation, the partners, members, retired partners, retired members, stockholders, and Affiliates of such Holder, or the estates and Immediate Family Members of any such partners, retired partners, members, and retired members and any trusts for the benefit of any of the foregoing Persons, shall be deemed to be a single "selling Holder," and any pro rata reduction with respect to such "selling Holder" shall be based upon the aggregate number of Registrable Securities owned by all Persons included in such "selling Holder," as defined in this sentence.

2.4 Obligations of the Company. Whenever required under this Section 2 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its commercially reasonable efforts to cause such registration statement to become effective and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for a period of up to one hundred twenty (120) days or, if earlier, until the distribution contemplated in the registration statement has been completed; provided, however, that (i) such one hundred twenty (120) day period shall be extended for a period of time equal to the period the Holder refrains, at the request of an underwriter of Common Stock (or other securities) of the Company, from selling any securities included in such registration, and (ii) in the case of any registration of Registrable Securities on Form S-3 that are intended to be offered on a continuous or delayed basis, subject to compliance with applicable SEC rules, such one hundred twenty (120) day period shall be extended for up to thirty (30) days, if necessary, to keep the registration statement effective until all such Registrable Securities are sold;

(b) prepare and file with the SEC such amendments and supplements to such registration statement, and the prospectus used in connection with such registration statement, as may be necessary to comply with the Securities Act in order to enable the disposition of all securities covered by such registration statement;

(c) furnish to the selling Holders such numbers of copies of a prospectus, including a preliminary prospectus, as required by the Securities Act, and such other documents as the Holders may reasonably request in order to facilitate their disposition of their Registrable Securities;

(d) use its commercially reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or blue-sky laws of such jurisdictions as shall be reasonably requested by the selling Holders; provided that the Company shall not be required to qualify to do business or to file a general consent to service of process in any such states or jurisdictions, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act;

(e) in the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the underwriter**(s)** of such offering;

(f) use its commercially reasonable efforts to cause all such Registrable Securities covered by such registration statement to be listed on a national securities exchange or trading system and each securities exchange and trading system (if any) on which similar securities issued by the Company are then listed;

(g) provide a transfer agent and registrar for all Registrable Securities registered pursuant to this Agreement and provide a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration;

(h) promptly make available for inspection by the selling Holders, by any underwriter(s) participating in any disposition pursuant to such registration statement, and by any attorney or accountant or other agent retained by any such underwriter or selected by the selling Holders, all financial and other records, pertinent corporate documents, and properties of the Company, and cause the Company's officers, directors, employees, and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant, or agent, in each case, as necessary or advisable to verify the accuracy of the information in such registration statement and to conduct appropriate due diligence in connection therewith;

(i) notify each selling Holder, promptly after the Company receives notice thereof, of the time when such registration statement has been declared effective or a supplement to any prospectus forming a part of such registration statement has been filed; and

(j) after such registration statement becomes effective, notify each selling Holder of any request by the SEC that the Company amend or supplement such registration statement or prospectus.

2.5 Furnish Information. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 2 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as is reasonably required to effect the registration of such Holder's Registrable Securities.

2.6 Expenses of Registration. All expenses (other than Selling Expenses) incurred in connection with registrations, filings, or qualifications pursuant to Section 2, including all registration, filing, and qualification fees; printers' and accounting fees; fees and disbursements of counsel for the Company; and the reasonable fees and disbursements of one counsel for the selling Holders **("Selling Holder Counsel")**, shall be borne and paid by the Company; provided, however, that the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Section 2.1 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered (in which case all selling Holders shall bear such expenses pro rata based upon the number of Registrable Securities that were to be included in the withdrawn registration), unless (i) the Holders of a majority of the Registrable Securities agree to forfeit their right to one registration pursuant to Section 2.1(a) or Section 2.1(b), as the case may be, or (ii) the withdrawal was caused by a material adverse change in the Company's business, finances, or results of operations arising after the date of the request for registration. All Selling Expenses relating to Registrable Securities registered pursuant to this Section 2 shall be borne and paid by the Holders pro rata on the basis of the number of Registrable Securities registered on their behalf.

2.7 Delay of Registration. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any registration pursuant to this Agreement as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 2, provided that any Holder will have the right, until the registration statement is declared effected by the SEC, to withdraw from the underwriting and have the information about such Holder selling such Holder's securities pursuant to such registration statement deleted from such registration statement.

2.8 Indemnification. If any Registrable Securities are included in a registration statement under this Section 2:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each selling Holder, and the partners, members, officers, directors, and stockholders of each such Holder; legal counsel and accountants for each such Holder; any underwriter (as defined in the Securities Act) for each such Holder; and each Person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any Damages, and the Company will pay to each such Holder, underwriter, controlling Person, or other aforementioned Person any legal or other expenses reasonably incurred thereby in connection with investigating or defending any claim or proceeding from which Damages may result, as such expenses are incurred; provided, however, that the indemnity agreement contained in this Section 2.8(a) shall not apply to amounts paid in settlement of any such claim or proceeding if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld, nor shall the Company be liable to any particular Holder, underwriter, controlling Person or other aforementioned Person for any Damages to the extent that they arise out of or are based upon actions or omissions made in reliance upon and in conformity with written information furnished by or on behalf of any such Holder, underwriter, controlling Person, or other aforementioned Person expressly for use in connection with such registration.

(b) To the extent permitted by law, each selling Holder, severally and not jointly, will indemnify and hold harmless the Company, and each of its directors, each of its officers who has signed the registration statement, each Person (if any), who controls the Company within the meaning of the Securities Act, legal counsel and accountants for the Company, any underwriter (as defined in the Securities Act), any other Holder selling securities in such registration statement, and any controlling Person of any such underwriter or other Holder, against any Damages, in each case only to the extent that such Damages arise out of or are based upon actions or omissions made in reliance upon and in conformity with written information furnished by or on behalf of such selling Holder expressly for use in connection with such registration; and each such selling Holder will pay to the Company and each other aforementioned Person any legal or other expenses reasonably incurred thereby in connection with investigating or defending any claim or proceeding from which Damages may result, as such expenses are incurred; provided, however, that the indemnity agreement contained in this Section 2.8(b) shall not apply to amounts paid in settlement of any such claim or proceeding if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; and provided further that in no event shall any indemnity under this Section 2.8(b), when combined with the amounts paid or payable by such Holder pursuant to Section 2.8(e), exceed the proceeds from the offering received by such Holder (net of any Selling Expenses paid by such Holder), except in the case of fraud or willful misconduct by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 2.8 of notice of the commencement of any action (including any governmental action) for which a party may be entitled to indemnification hereunder, such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 2.8, give the indemnifying party notice of the commencement thereof. The indemnifying party shall have the right to participate in such action and, to the extent the indemnifying party so desires, participate jointly with any other indemnifying party to which notice has been given, and to assume the defense thereof with counsel mutually satisfactory to the parties; provided, however, that an indemnified party (together with all other indemnified parties that may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such action. The failure to give notice to the indemnifying party within a reasonable time of the commencement of any such action shall relieve such indemnifying party of any liability to the indemnified party under this Section 2.8, to the extent that such failure materially prejudices the indemnifying party's ability to defend such action. The failure to give notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 2.8.

(d) Notwithstanding anything else herein to the contrary, the foregoing indemnity agreements of the Company and the selling Holders are subject to the condition that, insofar as they relate to any Damages arising from any untrue statement or alleged untrue statement of a material fact contained in, or omission or alleged omission of a material fact from, a preliminary prospectus (or necessary to make the statements therein not misleading) that has been corrected in the form of prospectus included in the registration statement at the time it becomes effective, or any amendment or supplement thereto filed with the SEC pursuant to Rule 424(b) under the Securities Act (the "**Final Prospectus**"), such indemnity agreement shall not inure to the benefit of any Person if a copy of the Final Prospectus was furnished to the indemnified party and such indemnified party was legally obligated to deliver but failed to deliver, at or before the confirmation of the sale of the shares registered in such offering, a copy of the Final Prospectus to the Person asserting the loss, liability, claim, or damage in any case in which such delivery was required by the Securities Act.

(e) To provide for just and equitable contribution to joint liability under the Securities Act in any case in which either (i) any party otherwise entitled to indemnification hereunder makes a claim for indemnification pursuant to this Section 2.8 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case, notwithstanding the fact that this Section 2.8 provides for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of any party hereto for which indemnification is provided under this Section 2.8, then, and in each such case, such parties will contribute to the aggregate losses, claims, damages, liabilities, or expenses to which they may be subject (after contribution from others) in such proportion as is appropriate to reflect the relative fault of each of the indemnifying party and the indemnified party in connection with the statements, omissions, or other actions that resulted in such loss, claim, damage, liability, or expense, as well as to reflect any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or allegedly untrue statement of a material fact, or the omission or alleged omission of a material fact, relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information,

and opportunity to correct or prevent such statement or omission; provided, however, that, in any such case, (x) no Holder will be required to contribute any amount in excess of the public offering price of all such Registrable Securities offered and sold by such Holder pursuant to such registration statement, and (y) no Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation; and provided further that in no event shall a Holder's liability pursuant to this Section 2.8(e), when combined with the amounts paid or payable by such Holder pursuant to Section 2.8(b), exceed the proceeds from the offering received by such Holder (net of any Selling Expenses paid by such Holder), except in the case of willful misconduct or fraud by such Holder.

(f) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into by the parties hereto in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement entered into by the parties hereto shall control.

(g) Unless otherwise superseded by an underwriting agreement entered into in connection with the underwritten public offering, the obligations of the Company and Holders under this Section 2.8 shall survive the completion of any offering of Registrable Securities in a registration under this Section 2, and otherwise shall survive the termination of this Agreement.

2.9 Reports Under Exchange Act. With a view to making available to the Holders the benefits of SEC Rule 144 and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form S-3, the Company shall:

(a) make and keep available adequate current public information, as those terms are understood and defined in SEC Rule 144, at all times after the effective date of the registration statement filed by the Company for the IPO;

(b) use commercially reasonable efforts to file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act (at any time after the Company has become subject to such reporting requirements); and

(c) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) to the extent accurate, a written statement by the Company that it has complied with the reporting requirements of SEC Rule 144 (at any time after ninety (90) days after the effective date of the registration statement filed by the Company for the IPO), the Securities Act, and the Exchange Act (at any time after the Company has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after the Company so qualifies); (ii) a copy of the most recent annual or quarterly report of the Company and such other reports and documents so filed by the Company; and (iii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC that permits the selling of any such securities without registration (at any time after the Company has become subject to the reporting requirements under the Exchange Act) or pursuant to Form S-3 (at any time after the Company so qualifies to use such form).

2.10 Limitations on Subsequent Registration Rights. From and after the date of this Agreement, the Company shall not, without the prior written consent of the Holders of a majority of the Registrable Securities then outstanding, enter into any agreement with any holder or prospective holder of any securities of the Company that would allow such holder or prospective holder (i) to include such securities in any registration unless, under the terms of such agreement, such holder or prospective holder may include such securities in any such registration only to the extent that the inclusion of such securities will not reduce the number of the Registrable Securities of the Holders that are included or (ii) to demand registration of any securities held by such holder or prospective holder; provided that this limitation shall not apply to any additional Investor who becomes a party to this Agreement in accordance with Section 6.9.

2.11 "Market Stand-off" Agreement. Each Holder hereby agrees that it will not, without the prior written consent of the managing underwriter, during the period commencing on the date of the final prospectus relating to the IPO and ending on the date specified by the Company and the managing underwriter (such period not to exceed one hundred eighty (180) days, which period may be extended upon the request of the managing underwriter for an additional period of up to fifteen (15) days if the Company issues or proposes to issue an earnings or other public release within fifteen (15) days of the expiration of the 180-day lockup period), (i) lend; offer; pledge; sell; contract to sell; sell any option or contract to purchase; purchase any option or contract to sell; grant any option, right, or warrant to purchase; or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable (directly or indirectly) for Common Stock (whether such shares or any such securities are then owned by the Holder or are thereafter acquired) or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or other securities, in cash, or otherwise. The foregoing provisions of this Section 2.11 shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement, and shall be applicable to the Holders only if all officers, directors, and stockholders individually owning more than one percent (1%) of the Company's outstanding Common Stock (after giving effect to conversion into Common Stock of all outstanding Preferred Stock) are subject to the same restrictions. The underwriters in connection with such registration are intended third-party beneficiaries of this Section 2.11 and shall have the right, power, and authority to enforce the provisions hereof as though they were a party hereto. Each Holder further agrees to execute such agreements as may be reasonably requested by the underwriters in connection with such registration that are consistent with this Section 2.11 or that are necessary to give effect thereto.

2.12 Restrictions on Transfer.

(a) The Preferred Stock and the Registrable Securities shall not be sold, pledged, or otherwise transferred, and the Company shall not recognize and shall issue stop-transfer instructions to its transfer agent with respect to any such sale, pledge, or transfer, except upon the conditions specified in this Agreement, which conditions are intended to ensure compliance with the provisions of the Securities Act. A transferring Holder will cause any proposed purchaser, pledgee, or transferee of the Preferred Stock and the Registrable Securities held by such Holder to agree to take and hold such securities subject to the provisions and upon the conditions specified in this Agreement.

(b) Each certificate, book entry or instrument representing (i) the Preferred Stock, (ii) the Registrable Securities, and (iii) any other securities issued in respect of the securities referenced in clauses (i) and (ii), upon any stock split, stock dividend, recapitalization, merger, consolidation, or similar event, shall (unless otherwise permitted by the provisions of Section 2.12(c)) be stamped, notated or otherwise imprinted with a legend substantially in the following form:

> THE SECURITIES REPRESENTED HEREBY HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. SUCH SHARES MAY NOT BE SOLD, PLEDGED, OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR A VALID EXEMPTION FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF SAID ACT.
>
> THE SECURITIES REPRESENTED HEREBY MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

The Holders consent to the Company making a notation in its records and giving instructions to any transfer agent of the Restricted Securities in order to implement the restrictions on transfer set forth in this Section 2.12.

(c) The holder of each certificate representing Restricted Securities, by acceptance thereof, agrees to comply in all respects with the provisions of this Section 2. Before any proposed sale, pledge, or transfer of any Restricted Securities, unless there is in effect a registration statement under the Securities Act covering the proposed transaction, the Holder thereof shall give notice to the Company of such Holder's intention to effect such sale, pledge, or transfer. Each such notice shall describe the manner and circumstances of the proposed sale, pledge, or transfer in sufficient detail and, if reasonably requested by the Company, shall be accompanied at such Holder's expense by either (i) a written opinion of legal counsel who shall, and whose legal opinion shall, be reasonably satisfactory to the Company, addressed to the Company, to the effect that the proposed transaction may be effected without registration under the Securities Act; (ii) a "no action" letter from the SEC to the effect that the proposed sale, pledge, or transfer of such Restricted Securities without registration will not result in a recommendation by the staff of the SEC that action be taken with respect thereto; or (iii) any other evidence reasonably satisfactory to counsel to the Company to the effect that the proposed sale, pledge, or transfer of the Restricted Securities may be effected without registration under the Securities Act, whereupon the Holder of such Restricted Securities shall be entitled to sell, pledge, or transfer such Restricted Securities in accordance with the terms of the notice given by the Holder to the Company. The Company will not require such a legal opinion or "no action" letter (x) in any transaction in compliance with SEC Rule 144 or (y) in any transaction in which such Holder distributes Restricted Securities to an Affiliate of such Holder for no consideration; provided that each transferee agrees in writing to be subject to the terms of this Section 2.12. Each certificate, instrument or book entry representing the Restricted Securities transferred as above provided shall be notated with, except if such transfer is made pursuant to SEC Rule 144, the appropriate restrictive legend set forth in Section 2.12(b), except that such certificate, instrument or book entry shall not be notated with such restrictive legend if, in the opinion of counsel for such Holder and the Company, such legend is not required in order to establish compliance with any provisions of the Securities Act.

2.13 Termination of Registration Rights. The right of any Holder to request registration or inclusion of Registrable Securities in any registration pursuant to Section 2.1 or Section 2.2 shall terminate upon the earliest to occur of:

(a) the closing of a Deemed Liquidation Event, as such term is defined in the Company's Amended and Restated Certificate of Incorporation ("**Certificate**");

(b) such time as Rule 144 or another similar exemption under the Securities Act is available for the sale of all of such Holder's Registrable Securities without limitation during a three month period without registration; and

(c) the fifth anniversary of the IPO.

3. Information and Observer Rights.

3.1 Delivery of Financial Statements. The Company shall deliver to each Major Investor, provided that the Board of Directors has not reasonably determined that such Major Investor is a competitor of the Company:

(a) as soon as practicable, but in any event within one hundred twenty (120) days after the end of each fiscal year of the Company, (i) a balance sheet as of the end of such year, (ii) statements of income and of cash flows for such year, and (iii) a statement of stockholders' equity as of the end of such year, all such financial statements audited and certified by independent public accountants selected by the Company; and

(b) as soon as practicable, but in any event within forty-five (45) days after the end of each of the first three (3) quarters of each fiscal year of the Company, unaudited statements of income and of cash flows for such fiscal quarter, and an unaudited balance sheet as of the end of such fiscal quarter, all prepared in accordance with GAAP (except that such financial statements may (i) be subject to normal year-end audit adjustments and (ii) not contain all notes thereto that may be required in accordance with GAAP).

(c) Upon the reasonable request of any Major Investor (provided that the Board of Directors has not reasonably determined that such Major Investor is a competitor of the Company) the Company shall deliver:

(i) within thirty (30) days before the end of each fiscal year, a budget and business plan for the next fiscal year (collectively, the "**Budget**"), prepared on a monthly basis, including balance sheets, income statements, and statements of cash flow for such months and, promptly after prepared, any other budgets or revised budgets prepared by the Company;

(ii) within fifteen (15) days of the end of each month, an unaudited income statement for such month and an unaudited balance sheet as of the end of such month, and a comparison between the actual amounts as of and for such period and the comparable amounts included in the Budget for such year, with an explanation of any material differences between such amounts.

Notwithstanding anything else in this Section 3.1 to the contrary, the Company shall not be obligated under this Section 3.1 to provide information (i) that the Company reasonably determines in good faith to be a trade secret or confidential information (unless covered by an enforceable confidentiality agreement, in a form acceptable to the Company) or (ii) the disclosure of which would adversely affect the attorney-client privilege between the Company and its counsel.

If, for any period, the Company has any subsidiary whose accounts are consolidated with those of the Company, then in respect of such period the financial statements delivered pursuant to the foregoing sections shall be the consolidated and consolidating financial statements of the Company and all such consolidated subsidiaries.

Notwithstanding anything else in this Section 3.1 to the contrary, the Company may cease providing the information set forth in this Section 3.1 during the period starting with the date sixty (60) days before the Company's good-faith estimate of the date of filing of a registration statement if it reasonably concludes it must do so to comply with the SEC rules applicable to such registration statement and related offering; provided that the Company's covenants under this Section 3.1 shall be reinstated at such time as the Company is no longer actively employing its commercially reasonable efforts to cause such registration statement to become effective.

3.2 Inspection. The Company shall permit each Major Investor (provided that the Board of Directors has not reasonably determined that such Major Investor is a competitor of the Company), at such Major Investor's expense, to visit and inspect the Company's properties; examine its books of account and records; and discuss the Company's affairs, finances, and accounts with its officers, during normal business hours of the Company as may be reasonably requested by the Major Investor; provided, however, that the Company shall not be obligated pursuant to this Section 3.2 to provide access to any information that it reasonably considers to be a trade secret or confidential information (unless covered by an enforceable confidentiality agreement, in form acceptable to the Company) or the disclosure of which would adversely affect the attorney-client privilege between the Company and its counsel.

3.3 Observer Rights. As long as Dragoneer Apartment, LLC or its affiliates ("**Dragoneer**") owns not less than twenty-five percent (25%) of the shares of the Series B-3 Preferred Stock it is purchasing under the Purchase Agreement (or an equivalent amount of Common Stock issued upon conversion thereof), one representative of Dragoneer shall be able to attend meetings of the Company's Board of Directors in a nonvoting observer capacity and quarterly scheduled off-premises meetings of the executive team with reasonable advance notification of the Board of Directors and executive team, as applicable, in this respect, Company shall give such representative copies of all notices, minutes, consents, and other materials that it provides to its directors; provided, however, that such representative shall agree to hold in confidence and trust and to act in a fiduciary manner with respect to all information so provided; and provided further, that the Company reserves the right, in its sole discretion, to (a) withhold any information and to exclude such representative from any meeting or portion thereof if access to such information or attendance at such meeting could adversely affect the attorney-client privilege between the Company and its counsel or result in disclosure of trade secrets or a conflict of interest, or if such Investor or its representative is a competitor of the Company, and (b) call a meeting of the Company's Board of Directors or hold an off-premises meeting of the executive team without notifying or inviting Dragoneer to attend.

3.4 Termination of Information, Inspection Rights and Observer Rights. The covenants set forth in Section 3.1, Section 3.2 and Section 3.3 shall terminate and be of no further force or effect (i) immediately before the consummation of the IPO, (ii) upon a Deemed Liquidation Event, as such term is defined in the Company's Certificate, or (iii) when the Company first becomes subject to the periodic reporting requirements of Section 12(g) or 15(d) of the Exchange Act, whichever event occurs first.

3.5 Confidentiality. Each Investor agrees that such Investor will keep confidential and will not disclose, divulge, or use for any purpose (other than to monitor its investment in the Company) any confidential information obtained from the Company pursuant to the terms of this Agreement (including notice of the Company's intention to file a registration statement), unless such confidential information (a) is known or becomes known to the public in general (other than as a result of a breach of this Section 3.5 by such Investor), (b) is or has been independently developed or conceived by the Investor without use of the Company's confidential information, or (c) is or has been made known or disclosed to the Investor by a third party without a breach of any obligation of confidentiality such third party may have to the Company; provided, however, that an Investor may disclose confidential information (i) to its attorneys, accountants, consultants, and other professionals to the extent necessary to obtain their services in connection with monitoring its investment in the Company; (ii) to any prospective purchaser of any Registrable Securities from such Investor, if such prospective purchaser agrees to be bound by the provisions of this Section 3.5 and so long as the prospective purchaser is not a competitor of the Company; (iii) to any Affiliate, partner, member, stockholder, or wholly owned subsidiary of such Investor in the ordinary course of business, provided that such Investor informs such Person that such information is confidential and directs such Person to maintain the confidentiality of such information; or (iv) as may otherwise be required by law, provided that the Investor promptly notifies the Company of such disclosure and takes reasonable steps to minimize the extent of any such required disclosure.

4. Rights to Future Stock Issuances.

4.1 Right of First Offer. Subject to the terms and conditions of this Section 4.1 and applicable securities laws, if the Company proposes to offer or sell any New Securities, the Company shall first offer such New Securities to each Major Investor. A Major Investor shall be entitled to apportion the right of first offer hereby granted to it among itself and its Affiliates in such proportions as it deems appropriate.

(a) The Company shall give notice (the "**Offer Notice**") to each Major Investor, stating (i) its bona fide intention to offer such New Securities, (ii) the number of such New Securities to be offered, and (iii) the price and terms, if any, upon which it proposes to offer such New Securities.

(b) By notification to the Company within twenty (20) days after the Offer Notice is given, each Major Investor may elect to purchase or otherwise acquire, at the price and on the terms specified in the Offer Notice, up to that portion of such New Securities which equals the proportion that the Common Stock issued and held, or issuable (directly or indirectly) upon conversion and/or exercise, as applicable, of the Preferred Stock and any other Derivative Securities then held, by such Major Investor bears to the total Common Stock of the Company then outstanding (assuming full conversion and/or exercise, as applicable, of all Preferred Stock and other Derivative Securities). At the expiration of such twenty (20) day period, the Company shall promptly notify each Major Investor that elects to purchase or acquire all the shares available to it

(each, a "**Fully Exercising Investor**") of any other Major Investor's failure to do likewise. During the ten (10) day period commencing after the Company has given such notice, each Fully Exercising Investor may, by giving notice to the Company, elect to purchase or acquire, in addition to the number of shares specified above, up to that portion of the New Securities for which Major Investors were entitled to subscribe but that were not subscribed for by the Major Investors which is equal to the proportion that the Common Stock issued and held, or issuable (directly or indirectly) upon conversion and/or exercise, as applicable, of Preferred Stock and any other Derivative Securities then held, by such Fully Exercising Investor bears to the Common Stock issued and held, or issuable (directly or indirectly) upon conversion and/or exercise, as applicable, of the Preferred Stock and any other Derivative Securities then held, by all Fully Exercising Investors who wish to purchase such unsubscribed shares. The closing of any sale pursuant to this Section 4.1(b) shall occur within the later of one hundred twenty (120) days of the date that the Offer Notice is given and the date of initial sale of New Securities pursuant to Section 4.1(c).

(c) If all New Securities referred to in the Offer Notice are not elected to be purchased or acquired as provided in Section 4.1(b), the Company may, during the ninety (90) day period following the expiration of the periods provided in Section 4.1(b), offer and sell the remaining unsubscribed portion of such New Securities to any Person or Persons at a price not less than, and upon terms no more favorable to the offeree than, those specified in the Offer Notice. If the Company does not enter into an agreement for the sale of the New Securities within such period, or if such agreement is not consummated within thirty (30) days of the execution thereof, the right provided hereunder shall be deemed to be revived and such New Securities shall not be offered unless first reoffered to the Major Investors in accordance with this Section 4.1.

(d) The right of first offer in this Section 4.1 shall not be applicable to (i) Exempted Securities (as defined in the Company's Certificate); (ii) shares of Common Stock issued in the IPO; and (iii) the issuance of shares of Series B-3 Preferred Stock to Additional Purchasers pursuant to Section 1.3 of the Purchase Agreement.

4.2 Termination. The covenants set forth in Section 4.1 shall terminate and be of no further force or effect (i) immediately before the consummation of the IPO, (ii) when the Company first becomes subject to the periodic reporting requirements of Section 12(g) or 15(d) of the Exchange Act, or (iii) upon a Deemed Liquidation Event, as such term is defined in the Company's Certificate, whichever event occurs first.

5. Additional Covenants.

5.1 Insurance. If not already purchased, the Company shall use its best efforts to obtain from financially sound and reputable insurers Directors and Officers Errors and Omissions insurance, in an amount not less than one million dollars ($1,000,000), if said coverage is available at commercially reasonable rates, and the Company will use its best efforts to cause such insurance policy to be maintained, unless the Board of Directors determines that such insurance should be discontinued.

5.2 Employee Agreements. The Company will cause each person now or hereafter employed by it or by any subsidiary (or engaged by the Company or any subsidiary as a consultant/independent contractor) with access to confidential information and/or trade secrets to enter into a nondisclosure and proprietary rights assignment agreement. In addition, the Company shall not amend, modify, terminate, waive, or otherwise alter, in whole or in part, any of the above-referenced agreements or any restricted stock agreement between the Company and any employee, without the approval of the Board of Directors.

5.3 Employee Vesting. Unless otherwise approved by the Board of Directors, all future employees and consultants of the Company who purchase, receive options to purchase, or receive awards of shares of the Company's capital stock after the date hereof shall be required to execute restricted stock or option agreements, as applicable, providing for (i) vesting of shares over a four (4) year period, with the first twenty-five percent (25%) of such shares vesting following twelve (12) months of continued employment or service, and the remaining shares vesting in equal monthly installments over the following thirty-six (36) months, and (ii) a market stand-off provision substantially similar to that in Section 2.11. In addition, unless otherwise approved by the Board of Directors, the Company shall retain a "right of first refusal" on employee transfers until the Company's IPO and shall have the right to repurchase unvested shares at cost upon termination of employment of a holder of restricted stock.

5.4 Successor Indemnification. If the Company or any of its successors or assignees consolidates with or merges into any other Person and is not the continuing or surviving corporation or entity of such consolidation or merger, then to the extent necessary, proper provision shall be made so that the successors and assignees of the Company assume the obligations of the Company with respect to indemnification of members of the Board of Directors as in effect immediately before such transaction, whether such obligations are contained in the Company's Bylaws, its Certificate, or elsewhere, as the case may be.

5.5 Termination of Covenants. The covenants set forth in this Section 5, except for Section 5.4, shall terminate and be of no further force or effect (i) immediately before the consummation of the IPO, (ii) when the Company first becomes subject to the periodic reporting requirements of Section 12(g) or 15(d) of the Exchange Act, or (iii) upon a Deemed Liquidation Event, as such term is defined in the Company's Certificate, whichever event occurs first.

6. Miscellaneous.

6.1 Successors and Assigns. The rights under this Agreement may be assigned (but only with all related obligations) by a Holder to a transferee of Registrable Securities that (i) is an Affiliate, partner, member, limited partner, retired partner, retired member, or stockholder of a Holder; (ii) is a Holder's Immediate Family Member or trust for the benefit of an individual Holder or one or more of such Holder's Immediate Family Members; or (iii) after such transfer, holds at least 1,000,000 shares of Registrable Securities (subject to appropriate adjustment for stock splits, stock dividends, combinations, and other recapitalizations); provided, however, that (x) the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee and the Registrable Securities with respect to which such rights are being transferred; and (y) such transferee agrees in a written instrument delivered to the Company to be bound by and subject to the terms and conditions of this Agreement, including the provisions of Section 2.11. For the purposes of determining the number of shares of Registrable Securities held by a transferee, the holdings of a transferee (1) that is an Affiliate, limited partner, retired partner, member, retired member, or stockholder of a Holder; (2) who is a Holder's Immediate Family Member; or (3) that is a trust for the benefit of an individual Holder or such Holder's Immediate Family Member shall be aggregated together and with those of the transferring Holder; provided further that all transferees who would not qualify individually for assignment of rights shall have a single attorney-in-fact for the purpose of exercising any rights, receiving notices, or taking any action under this Agreement.

The terms and conditions of this Agreement inure to the benefit of and are binding upon the respective successors and permitted assignees of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and permitted assignees any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided herein.

6.2 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, regardless of the laws that might otherwise govern under applicable principles of conflicts of law.

6.3 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

6.4 Titles and Subtitles. The titles and subtitles used in this Agreement are for convenience only and are not to be considered in construing or interpreting this Agreement.

6.5 Notices. All notices, requests, and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given, delivered and received (i) upon personal delivery to the party to be notified; (ii) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient, and if not so confirmed, then on the next business day; (iii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or (iv) one (1) business day after the business day of deposit with a nationally recognized overnight courier, specifying next-day delivery, with written verification of receipt. All communications shall be sent to the respective parties at their addresses as set forth on Schedule A hereto, or to such email address, facsimile number, or address as subsequently modified by written notice given in accordance with this Section 6.5. If notice is given to the Company, it shall be sent to 50 Castilian Dr., Goleta, CA 93117, Attention: Chief Executive Officer; and a copy (which shall not constitute notice) shall also be sent to Stradling Yocca Carlson & Rauth, 800 Anacapa Street, Suite A, Santa Barbara, CA 93101, Attention: David Lafitte.

6.6 Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance, and either retroactively or prospectively) only with the written consent of the Company and the holders of a majority of the Registrable Securities then outstanding; provided (i) that the Company may in its sole discretion waive compliance with Section 2.12(c) (and the Company's failure to object promptly in writing after notification of a proposed assignment allegedly in violation of Section 2.12(c) shall be deemed to be a waiver) and (ii) as long as Dragoneer owns not less than twenty-five percent (25%) of the shares of the Series B-3 Preferred Stock it is purchasing under the Purchase Agreement (or an equivalent amount of Common Stock issued upon conversion thereof), Section 3.3 of this Agreement shall not be amended or waived without the written consent of Dragoneer; and provided further that any provision hereof may be waived by any waiving party on such party's own behalf, without the consent of any other party. Notwithstanding the foregoing, this Agreement may not be amended or terminated and the observance of any term hereof may not be waived with respect to any Investor without the written consent of such Investor, unless such amendment, termination, or waiver applies to all Investors in the same fashion (it being agreed that a waiver of the provisions of Section 4 with respect to a particular transaction shall be deemed to apply

to all Investors in the same fashion if such waiver does so by its terms, notwithstanding the fact that certain Investors may nonetheless, by agreement with the Company, purchase securities in such transaction). The Company shall give prompt notice of any amendment or termination hereof or waiver hereunder to any party hereto that did not consent in writing to such amendment, termination, or waiver. Any amendment, termination, or waiver effected in accordance with this Section 6.6 shall be binding on all parties hereto, regardless of whether any such party has consented thereto. No waivers of or exceptions to any term, condition, or provision of this Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such term, condition, or provision.

6.7 Severability. In case any one or more of the provisions contained in this Agreement is for any reason held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, and such invalid, illegal, or unenforceable provision shall be reformed and construed so that it will be valid, legal, and enforceable to the maximum extent permitted by law.

6.8 Aggregation of Stock. All shares of Registrable Securities held or acquired by Affiliates shall be aggregated together for the purpose of determining the availability of any rights under this Agreement, and such Affiliated persons may apportion such rights as among themselves in any manner they deem appropriate.

6.9 Additional Investors. Notwithstanding anything to the contrary contained herein, if the Company issues additional shares of the Preferred Stock after the date hereof, whether pursuant to the Purchase Agreement or otherwise, any purchaser of such shares of Preferred Stock may become a party to this Agreement by executing and delivering an additional counterpart signature page to this Agreement, and thereafter shall be deemed an “Investor” for all purposes hereunder. No action or consent by the Investors shall be required for such joinder to this Agreement by such additional Investor, so long as such additional Investor has agreed in writing to be bound by all of the obligations as an “Investor” hereunder.

6.10 Entire Agreement. This Agreement (including any Schedules hereto) constitutes the full and entire understanding and agreement among the parties with respect to the subject matter hereof, and any other written or oral agreement relating to the subject matter hereof existing between the parties is expressly canceled. Upon the effectiveness of this Agreement, the Prior Agreement shall be deemed amended and restated and superseded and replaced in its entirety by this Agreement, and shall be of no further force or effect.

6.11 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party under this Agreement, upon any breach or default of any other party under this Agreement, shall impair any such right, power, or remedy of such nonbreaching or nondefaulting party, nor shall it be construed to be a waiver of or acquiescence to any such breach or default, or to any similar breach or default thereafter occurring, nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. All remedies, whether under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

6.12 Acknowledgment. The Company acknowledges that some of the Investors regularly invest in a variety of different companies and therefore review the business plans and related proprietary information of many enterprises, including enterprises which may have products or services which compete directly or indirectly with those of the Company. Nothing in this Agreement shall preclude or in any way restrict such Investors from investing or participating in any particular enterprise whether or not such enterprise has products or services which compete with those of the Company.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

COMPANY:

APPFOLIO, INC.,
a Delaware corporation

By: /s/ Brian Donahoo
Brian Donahoo
Chief Executive Officer

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

Investor: **BRIAN DONAHOO**

Signature: /s/ Brian Donahoo

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

Investor: **Dragoneer Apartment, LLC**

By: Dragoneer Global GP, LLC, its Manager

By: /s/ Pat Robertson

Name: Pat Robertson

Title: Chief Operating Officer

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

Investor: **BV Capital GmbH & Co Beteilingungs KG No. 1**

Signature: /s/ Mathias Schilling

Print Name: Mathias Schilling

Title: Managing Director of the General Partner

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

Investor: **BV Capital Fund II LP**

Signature: /s/ Mathias Schilling

Print Name: Mathias Schilling

Title: Managing Director of the General Partner

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

Investor: **BV Capital Fund II A LP**

Signature: /s/ Mathias Schilling

Print Name: Mathias Schilling

Title: Managing Director of the General Partner

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

GOOD FORTUNE CAPITAL II, LLC

By: /s/ Clive Bode

Name: Clive Bode

Title: President

Dated: December 2, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

IGSB INTERNAL VENTURE FUND II, LLC

By: /s/ Timothy K. Bliss

Name: Timothy K. Bliss

Title:

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

IGSB INTERNAL VENTURE FUND III, LLC

BY: INVESTMENT GROUP OF SANTA BARBARA, LLC

By: /s/ Timothy K. Bliss

Name: _____

Title: _____

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

IGSB IVP II, LLC

By: /s/ Timothy K. Bliss

Name: Timothy K. Bliss

Title:

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

IGSB IVP III, LLC

BY: INVESTMENT GROUP OF SANTA BARBARA, LLC

By: /s/ Timothy K. Bliss

Name: _____

Title: _____

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

Investor: **The 1206 Family Trust**

Signature: /s/ Klaus Schauser

Print Name: Klaus Schauser

Title: Trustee

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

MARC STAD

Signature: /s/ Marc Stad

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

Investor: **OATEN-DAVIS LIVING TRUST**

Signature: /s/ Albert Oaten

Print Name: Albert Oaten

Title: VP Market Development

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

Investor: **OCEANLINK INVESTMENTS LIMITED**

Signature: /s/ Andrew Fortune, /s/ Julie Kleis

Print Name:: _____

Title: _____

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

Investor: **UNION BANK, N.A., CUSTODIAN FBO TIMOTHY K. BLISS ROTH IRA**

Signature: /s/ Beatrice M. Kollinzas

Print Name: Beatrice M. Kollinzas

Title: Vice President – Trust Officer

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

UNION BANK, N.A., CUSTODIAN FBO TIMOTHY K. BLISS ROTH IRA #3

By: /s/ Beatrice M. Kollinzas

Name: Beatrice M. Kollinzas

Title: Vice President – Trust Officer

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

Investor: **Union Bank, N.A., Custodian FBO Charles J. Keenan IV Roth IRA #4**

Signature: /s/ Beatrice M. Kollinzas

Print Name: Beatrice M. Kollinzas

Title: Vice President – Trust Officer

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

UNION BANK, N.A., AS NOMINEE

By: /s/ Beatrice M. Kollinzas

Name: Beatrice M. Kollinzas

Title: Vice President – Trust Officer

Dated: November 26, 2013

INVESTOR SIGNATURE PAGE TO

APPFOLIO, INC.

AMENDED AND RESTATED
INVESTORS' RIGHTS AGREEMENT

The undersigned hereby executes and delivers the Amended and Restated Investors' Rights Agreement (the "Investors' Rights Agreement") to which this Signature Page is attached, which, together with all counterparts of the Investors' Rights Agreement and Signature Pages of the other parties named in said Agreement, shall constitute one and the same document in accordance with the terms of the Investors' Rights Agreement.

By execution and delivery of this Investor Signature Page, the undersigned hereby agrees be bound by the terms and conditions of the Investors' Rights Agreement as an Investor thereunder.

Investor: **THE CHRISTINE PERRY REVOCABLE TRUST**

Signature: /s/ Christine Perry

Print Name: _____

Title: _____

Dated: November 26, 2013

SCHEDULE A

INVESTORS

BRIAN DONAHOO

BV CAPITAL GMBH & CO BETEILIGUNGS KG NO. 1

BV CAPITAL FUND II LP

BV CAPITAL FUND II A LP

CHAD STEWART

COMRON SATTARI

CULLER-MAYENO 1999 FAMILY TRUST U/D/T DATED MARCH 24, 1999

DRAGONEER APARTMENT, LLC

EIRIK HOLM

FRANK A. ROBINSON, TTEE, FRANK H. ROBINSON & CO., INC. PROFIT SHARING TRUST UAD 9/29/03

FREDERIK VALEUR

GERALD AIGNER

GOOD FORTUNE CAPITAL II, LLC

LISA NORDQUIST LIVING TRUST

GOODHOMBRE FAMILY TRUST

GREGOR FREUND

GREGORY J AND CAROLYN M BURIE JTWROS

GUPTA-IWASAKI FAMILY TRUST

HEIDI HELFAND

HOWARD HARVEY

IGSB INTERNAL VENTURE FUND II, LLC

IGSB INTERNAL VENTURE FUND III, LLC

IGSB IVP II, LLC

IGSB IVP III, LLC

JAMES STEVEN HERZBERG, AS TRUSTEE OF THE JAMES STEVEN HERZBERG LIVING TRUST

JAMES G. SEMICK

JOHN PETOTE

KEVIN MILDEN

THE 1206 FAMILY TRUST

MARC STAD

MARK B. TEMPLETON REVOCABLE TRUST U/T/A DTD 6/04/2004

MICHAEL PAYNE AND JENNIFER PAYNE, TRUSTEES OF THE PAYNE FAMILY TRUST DATED OCTOBER 5, 2011

MICHAEL PAYNE AND JENNIFER PAYNE, TRUSTEES

MAXIMILIAN IBEL

MICHAEL & LYNN PIERCE, HUSBAND & WIFE AS COMMUNITY PROPERTY

MICHAEL RANDOLPH

OATEN-DAVIS LIVING TRUST

OCEANLINK INVESTMENTS LIMITED

OMID RAHMAT

UNION BANK, N.A., CUSTODIAN FBO TIMOTHY K. BLISS ROTH IRA

PAIGE K. KAYE TRUST

PAUL KMIEC

R. MICHAEL CRILL

RADICAL TRUST

SAEED SATTARI

UNION BANK, N.A., CUSTODIAN FBO TIMOTHY K. BLISS ROTH IRA #3

UNION BANK, N.A., CUSTODIAN FBO CHARLES J. KEENAN IV ROTH IRA #4

UNION BANK, N.A., AS NOMINEE

SEMENZATO-SELLERS TRUST 10-15-2004

SUSAN M. CAINE AND BRETT M. CAINE TRUST

THE CANTLEY-PAPADOPOULOS TRUST

THE CHARLES AND ALLISON KEENAN FAMILY TRUST DATED 6/15/09

THE CHRISTINE PERRY REVOCABLE TRUST

THE JERRY QI ZHENG AND XIAONING DUAN AB LIVING TRUST

THE KEENAN FAMILY TRUST DATED 12/20/1988, AS AMENDED

THE PLATT FAMILY TRUST DATED JULY 28, 2000

THE POURZANJANI FAMILY TRUST

TIMOTHY BLISS & VIRGINIA BLISS FAMILY TRUST DATED 4/2/82

WILLIAM J. REYNOLDS

ZHU WEI FAMILY TRUST

NASSAU LAND COMPANY, L.P.
MULTI-TENANT INDUSTRIAL LEASE

THIS MULTI-TENANT INDUSTRIAL LEASE ("Lease") dated April 1, 2011 for reference purposes only, is made and entered into by and between the Landlord and the Tenant identified in the Basic Provisions set forth below. This Lease consists of the Basic Provisions together with the Attachments and Exhibits listed in Paragraph I of the Basic Provisions.

BASIC PROVISIONS

These Basic Provisions set forth certain information relevant and fundamental to the Standard Terms and Conditions upon which this Lease is made, and all information set forth in these Basic Provisions is subject to the provisions of the Standard Terms and Conditions of this Lease.

A. Landlord

(1)	Name of Landlord:	NASSAU LAND COMPANY, L.P. a California limited partnership
(2)	Landlord's Trade Name:	Castilian Technical Center
(3)	Landlord's Address:	c/o The Towbes Group, Inc. 21 E. Victoria Street, Suite 200 Santa Barbara, California 93101
(4)	Landlord's Remit Address:	P.O. Box 20130 Santa Barbara, California 93120

B. Tenant

(1)	Name of Tenant(s):	APPFOLIO, INC., a Delaware corporation
(2)	Tenant's Trade Name:	AppFolio
(3)	Tenant's Mailing Address:	50 Castilian Drive, Suite 100 Goleta, CA 93117
(4)	Tenant's Billing Address:	Same as Mailing Address

(5) Tenant's address if Tenant is no longer in Building: Stradling Yocca Carlson & Rauth, 800 Anacapa Street, Suite A, Santa Barbara, CA 93101, Attn: David Lafitte, Esq.

C. Leased Premises (Article 1)

(1) Description of Premises (Section 1.1)

(a) The office space or other unit or area outlined on the Site Plan attached as Exhibit A known as 50 Castilian Drive, Suite 102 (herein, the "Premises"), located in the Castilian Technical Center situated at 50 Castilian Drive, in the City of Goleta, County of Santa Barbara, State of California (herein the "Project").

(b) Landlord and Tenant mutually agree that the square footage of the Premises is 14,527 square feet of leasable space. The Project initially consists of approximately 43,277 square feet of leasable space.

(c) The Building in which the Premises are situated initially consists of 43,277 square feet of leasable space.

(d) Tenant's proportionate share of Building Operating Expenses initially shall be thirty-three and 57/100 percent (33.57%).

(e) Tenant's proportionate share of Project Operating Expenses initially shall be thirty-three and 57/100 percent (33.57%).

(2) Parking (Section 1.3)

(a) Tenant shall have the right to (check each applicable item):

☐ (i) Exclusive use of spaces

☒ (ii) Non-exclusive use of the common area parking lot not to exceed forty-seven (47) spaces.

☐ (iii) Assigned space number(s) .

(b) Tenant's employees (☐ may) (☒ may not) use any common area parking spaces situated on the Premises (☐ in addition to) (☒ other than) those assigned to Tenant pursuant to subparagraph (a), above.

(3) Preparation of Premises; Occupancy (Section 1.4)

☐ (a) No work shall be required by Landlord to prepare the Premises for occupancy by Tenant.

☒ (b) The Anticipated Completion Date for the majority of the work to be done by Landlord, as reflected on Exhibit B is the 1st day of August, 2011.

☐ (c) The Anticipated Completion Date for any work to be done by Landlord, as reflected on Exhibit B is ( ) weeks from Landlord's receipt of Tenant's "approved final construction plan."

D. Term of Lease (Article 2)

(1) Effective Date

Upon Lease execution.

(2) Commencement Date

☒ (a) October 1, 2011.

☐ (b) The day upon which Landlord has notified Tenant in writing that any work required of Landlord, as reflected on Exhibit B, is substantially completed, or the day on which Tenant first opens for business if sooner.

(3) Term. A period of three (3) years measured from the Commencement Date; the last day of the Initial Term of this Lease shall be September 30, 2014.

E. Rent (Article 3)

(1) Minimum Monthly Rent. The sum of $1.40 per square foot per month payable in equal monthly installments of $20,337.80 due on or before the first day of each month (Section 3.1) commencing on the Commencement Date (the "Rent Commencement Date"). The Minimum Monthly Rent and reimbursement for Landlord's Common Area and Total Operating Costs shall commence upon the Rent Commencement Date.

(2) Adjustment to Minimum Monthly Rent (Section 3.1)

☒ (a) To be made at one (1)-year intervals in accordance with the provisions of Exhibit C. For the purpose of such adjustments, the Base Period shall be the month of July, 2011, the Base Period index shall be as determined herein, and the Comparison Period shall be the month of July preceding the Adjustment Date. The Adjustment Date shall be:

☒ (i) October 1, 2012 and October 1, 2013.

☐ (ii) Other (specify):

☒ (b) Notwithstanding the above, the Minimum Monthly Rent shall have a minimum annual adjustment of two percent (2%) and a maximum annual adjustment of five percent (5%).

☐ (c) To be increased to the sum of $ on the day , 20 , and thereafter to be increased as follows:

☐ (d) Not applicable.

(3) Late Processing Charge. (Section 3.3) The sum of five percent (5%) of each delinquent payment.

(4) Prepaid Rent. (Section 3.4) $26,729.68 ($20,337.80 for Minimum Monthly Rent, plus $6,391.88 for Total Operating Costs), all of which shall be for the first full month of the Term.

(5) Security Deposit. (Section 3.5) $20,337.80.

F. Landlord's Common Area and Operating Costs (Article 7) *(Continued on Exhibit K attached hereto.)*

Tenant shall reimburse Landlord for Tenant's proportionate share of Landlord's Total Operating Costs in the manner and to the extent provided in Article 7 of the Standard Terms and Conditions.

G. Use by Tenant (Article 8)

Tenant shall use and occupy the Premises for general office and for no other purpose.

H. Insurance (Article 13)

(1) Liability Insurance Required of Tenant. Tenant to provide its own liability insurance for bodily injury and property damage with single limit coverage in the amount of:

☒ $2,000,000

☐ $

(2) Endorsements. Tenant shall procure and maintain throughout the term of the Lease the following policy endorsements with initial limits not less than those indicated below:

	YES	NO	AMOUNT
(a) Automobile Liability:	☒	☐	$1,000,000
(b) Plate Glass Insurance:	☒	☐	100% replacement cost. Up to $20,000 with a $1,000 deductible.
(c) Boiler and Machinery Insurance	☐	☒	100% replacement cost.
(d) Rent Continuation:	☒	☐	In the amount of the Minimum Monthly Rent due hereunder for no less than three (3) months.
(e) Vandalism:	☒	☐	100% replacement cost.
(f) Tenant Fire Insurance:	☒	☐	100% replacement cost.

(3) Subrogation. Landlord and Tenant intend that their respective property loss risks shall be borne by reasonable insurance carriers to the extent above as provided herein, and Landlord and Tenant hereby agree to look solely to, and seek recovery only from, their respective insurance carriers in the event of a property loss to the extent that such coverage is agreed to be provided hereunder. The parties each hereby waive all rights and claims against each other to the extent of such losses, and waive all rights of subrogation of their respective insurers, provided such waiver of subrogation shall not affect the right of the insured to recover thereunder. The parties agree that their respective insurance policies are now, or shall be, endorsed such that the waiver of subrogation shall not affect the right of the insured to recover thereunder, so long as no material additional premium is charged therefor.

I. Attachments and Exhibits: Tenant's Financial Statement(s)

Landlord has delivered to Tenant, and Tenant hereby acknowledges receipt of, each of the following, which are incorporated into this Lease by reference (Landlord and Tenant to initial in applicable blank spaces):

Landlord	Tenant	
		Standard Terms and Conditions
		Attachment 1: Rules and Regulations
		Exhibit A: Site Plan
		Exhibit B: ~~Preparation of Premises~~ Landlord's Work
		Exhibit C: Adjustment to Minimum Monthly Rent
		~~Exhibit D~~:
		~~Exhibit E~~:

	Exhibit F:	Real Estate Commissions
	Exhibit G:	Option to Renew
	Exhibit H:	Additional Governmental Conditions & Requirements
	Exhibit I:	Sign Plan
	~~Exhibit J:~~	
	Exhibit K:	Supplemental Terms and Conditions
	Exhibit L:	Form of Estoppel Certificate
	Exhibit M:	Commencement Memorandum
	Exhibit N:	Prohibited Uses
	~~Exhibit O:~~	
	Exhibit P:	Nondisturbance Agreement

Tenant has delivered to Landlord Tenant's current financial statement (consisting of a Profit and Loss Statement and Balance Sheet) dated December 31, 2010; Tenant agrees to provide Landlord annually, within six (6) months after the end of Tenant's fiscal year (12/31), with a financial statement (consisting of a Profit and Loss Statement and Balance Sheet) for said fiscal year certified by Tenant to be true and correct.

IN WITNESS WHEREOF, the parties hereto have executed this Lease on the date set forth opposite their respective names and respectively warrant that the persons executing this Lease are duty authorized and empowered to do so.

LANDLORD AND TENANT HAVE CAREFULLY READ AMD REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN AND, BY EXECUTION OF THIS LEASE, SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LANDLORD AND TENANT WITH RESPECT TO THE PREMISES.

LANDLORD:

Date: April 13, 2011

NASSAU LAND COMPANY, L.P., a California limited partnership

By: Michael Towbes Construction & Development, Inc., a California corporation, General Partner

By: _____
~~Michael Towbes, President~~
Craig Zimmerman, Vice President

Federal ID#

TENANT:

Date: April 12, 2011

APPFOLIO, INC., a Delaware corporation

By: _____
Brian Donahoo, its President

By: _____
Karen Anne Platt, its CFO

Federal ID#

NASSAU LAND COMPANY, L.P.
MULTI-TENANT INDUSTRIAL LEASE
STANDARD TERMS AND CONDITIONS

Table of Contents

THE SUBMISSION OF THIS DOCUMENT FOR EXAMINATION AND NEGOTIATION DOES NOT CONSTITUTE AN OFFER TO LEASE, OR A RESERVATION OF, OR OPTION FOR, THE PREMISES; THIS DOCUMENT BECOMES EFFECTIVE AND BINDING ONLY UPON EXECUTION AND DELIVERY HEREOF BY LANDLORD. NO ACT OR OMISSION OF ANY EMPLOYEE OR AGENT OF LANDLORD OR OF LANDLORD'S BROKER SHALL ALTER, CHANGE OR MODIFY ANY OF THE PROVISIONS HEREOF.

NASSAU LAND COMPANY, L.P.
MULTI-TENANT INDUSTRIAL LEASE
STANDARD TERMS AND CONDITIONS

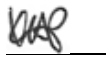
THESE STANDARD TERMS AND CONDITIONS constitute an integral part of this Multi-Tenant Industrial Lease. Each reference in the Standard Terms and Conditions to information set forth in the Basic Provisions of this Lease shall be construed to incorporate all of the information to which reference is made. Any conflict between these Standard Terms and Conditions and the information set forth in the Basic Provisions shall be controlled by the terms of these Standard Terms and Conditions.

1. LEASED PREMISES

1.1 Description of Premises. As used herein, the term "Premises" shall mean the office space or other unit as are described in the Basic Provisions, the boundaries and location of which are designated on the attached Site Plan (Exhibit A), which said Premises are now existing or will be part of the building containing the Premises (the "Building") and are more fully described in Section C of the Basic Provisions. Unless the context otherwise requires, the Premises shall include that portion of the Building and other improvements presently situated or to be constructed in the location so outlined on said Site Plan, and all fixtures heretofore or hereafter to be installed by Landlord therein, but shall exclude the roof and the exterior surface of all exterior walls of such Building and improvements, except as specifically allowed hereunder. The Premises, the Building, the Common Areas (as defined below), the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the "Project."

1.2 Common Areas. Subject to Article 6 of this Lease, Landlord shall make available at all times during the term of this Lease, such automobile parking and other common areas within the exterior boundaries of the land and Building of which the Premises are a part. The term "Common Area(s)" shall mean all the portions of the Building which are not specifically leased or specifically available for lease to tenants and which have at the time in question been designated and improved for common use by or for the benefit of more than one tenant or concessionaire of the Building, including any of the following (the specific recitation of which shall not be deemed to limit the definition of "Common Area"): the land and facilities utilized as parking areas; access and perimeter roads; truck passageways (which may be in whole or in part subsurface); arcades; landscaped areas; exterior walks; stairways; stairs; directory equipment; ramps; drinking fountains; toilets and other public facilities; and bus stations and taxi stands; but excluding any portion thereof when designated by Landlord for a noncommon use, provided any portion of the Building which was not included within the Common Area shall be so included when so designated and improved for common use. All of the Common Area shall be subject to the exclusive control and management of Landlord or such other persons or nominees as Landlord may have delegated or assigned to exercise such management or control, in whole or in part, in Landlord's place and stead. Tenant acknowledges that Landlord makes no representation or warranty whatsoever concerning the safety of the Common Area or the adequacy of any security system which is or may be instituted for the Common Area. In no event shall Tenant have the right to sell or solicit in any manner in the Common Area. As long as Tenant is not in default under this Lease, Tenant shall have the non-exclusive right to use in common with other Tenants of the Building the common areas and facilities included in the Building together with such easements for ingress and egress as are necessary for Tenant's use and occupancy of the Premises.

1.3 Parking Facilities. Tenant acknowledges and agrees that any parking spaces provided by Landlord in and around the Building or Premises are solely for the convenience of the customers of Tenant and of other tenants of the Building, and that no portion of any such parking facilities is reserved for Tenant, its employees or its customers unless otherwise specifically designated by Landlord in the Basic Provisions. Landlord expressly reserves the right to establish and enforce reasonable rules and regulations throughout the Term of this Lease concerning the use of the parking area, and Landlord shall be entitled to tow away vehicles parked in violation of such rules. Tenant agrees that Tenant and its employees will not park in the parking area serving the Building except in that area, if any, specifically designated in writing by Landlord for that purpose. Upon the request of Landlord, Tenant shall provide Landlord on a periodic basis with a current list of Tenant's employees and their respective vehicle license numbers, and shall promptly notify Landlord of any changes in such list.

Landlord's Initials  Tenant's Initials 

1.4 Preparation of Premises: Occupancy.

1.4.1 If so provided in the Basic Provisions, Landlord agrees to perform any work identified in Exhibit B as Landlord's work, and to cause the Premises to be ready for occupancy by Tenant on or before the Commencement Date set forth in the Basic Provisions. In the event Landlord is required to perform any work prior to Tenant's occupancy, the Premises shall be deemed ready for occupancy as of the date Landlord has notified Tenant in writing that Landlord has substantially completed all of the work required to be done by Landlord as reflected in Exhibit B, and the initial Term of this Lease shall commence on the date of such notice unless a different date is specified in the Basic Provisions.

1.4.2 If for any reason Landlord cannot deliver possession of the Premises to Tenant on the Commencement Date, this Lease shall not be void or voidable, nor shall Landlord be liable to Tenant for any loss or damage resulting therefrom, but the Term of this Lease shall be extended until the Premises are ready for occupancy by Tenant; provided, however, that if Landlord is unable to deliver possession of the Premises to Tenant within sixty (60) days after the Commencement Date, Tenant may terminate this Lease by giving written notice to Landlord and thereupon both parties hereto shall be relieved and discharged of all liability hereunder. In the event Tenant elects not to terminate the Lease and incurs a holdover penalty at its existing space, Landlord shall reimburse Tenant for such expense.

1.5 Reserved Rights. After providing Tenant with twenty-four (24) hours prior notice, unless in the case of an emergency, Landlord reserves the right to enter the Premises during normal business hours for any reason upon reasonable notice to Tenant and/or to undertake the following, all without abatement of rent or liability to Tenant:

1.5.1 Inspect the Premises and/or the performance by Tenant of the terms and conditions hereof;

1.5.2 Make such alterations, repairs, improvements or additions to the Premises as required hereunder; change boundary lines of the Common Areas;

1.5.3 Install, use, maintain, repair, alter, relocate or replace any pipes, ducts, conduits, wires, equipment and other facilities in the Building;

1.5.4 Grant easements on the Project (with thirty (30) days prior notice);

1.5.5 Dedicate for public use portions thereof and record covenants, conditions and restrictions ("CC&Rs") affecting the Project and/or amendments to existing CC&Rs which do not unreasonably interfere with Tenant's use of the Premises or impose additional material monetary obligations on Tenant;

1.5.6 Change the name of the Project;

1.5.7 Affix reasonable signs and displays as well as post and maintain any notice deemed necessary by Landlord for the protection of its interest (including, without limitation, notices of nonresponsibility);

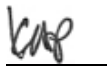
1.5.8 Show the Premises to prospective tenants during the last six (6) months of the Term.

2. TERM OF LEASE

2.1 Initial Term. The initial term of the Lease (the "Term") shall begin on the Commencement Date specified in the Basic Provisions. Subject to extension or sooner termination as hereinafter provided, this Lease shall continue for the Term specified in the Basic Provisions. If the Term of this Lease begins on a day other than the first day of a calendar month, the initial Term of this Lease shall be adjusted to commence on the first day of the first full calendar month after the Commencement Date.

2.2 Possession. Tenant's possession of the Premises prior to the Commencement, if any, shall be subject to all the provisions of this Lease (except for the payment of Rent) and shall not advance the expiration date. Tenant shall upon demand acknowledge in writing the Possession Date in the form attached hereto as Exhibit M.

2.3 Rent Commencement Date. Unless otherwise specified in the Basic Provisions, the "Rent Commencement Date" shall be the same date as the Commencement Date. In the event the Commencement Date does not fall on the first (1st) day of a calendar month, Rent during any partial month shall be prorated on the basis of a thirty (30) day month, and shall be due and payable on or before the Commencement Date.

Landlord's Initials  Tenant's Initials 

3. RENT

3.1 Minimum Monthly Rent.

3.1.1 Tenant agrees to pay to Landlord a Minimum Monthly Rent, initially in the amount set forth in the Basic Provisions, during each month of the Term of this Lease. Minimum Monthly Rent for a period constituting less than a full month shall be prorated on the basis of a thirty (30)-day month.

3.1.2 If so provided in the Basic Provisions, the Minimum Monthly Rent shall be adjusted at the times specified and in the manner provided in the Basic Provisions, and Tenant agrees to pay Landlord the Minimum Monthly Rent, as so adjusted, at the times and in the manner provided by this Lease.

3.1.3 Landlord shall have no obligation to notify Tenant of any increase in Minimum Monthly Rent, and Tenant's obligation to pay all Minimum Monthly Rent (and any increases) when due shall not be modified or altered by such lack of notice from Landlord. Acceptance of a payment of Rent that is less than the amount then due shall not be a waiver of Landlord's rights to the balance of such Rent, regardless of Landlord's endorsement of or deposit of any check so stating.

3.2 Additional Rent. All sums other than Minimum Monthly Rent which Tenant is obligated to pay under this Lease, including late charges and interest as set forth in Section 3.3 below, shall be deemed to be additional rent due hereunder, whether or not such sums are designated "additional rent." The term "Rent" means the Minimum Monthly Rent and all additional amounts payable by Tenant under the Lease (including, but not limited to, late charges and interest). Acceptance of a payment of Rent that is less than the amount then due shall not be a waiver of Landlord's rights to the balance of such Rent, regardless of Landlord's endorsement of or deposit of any check so stating.

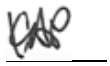
3.3 Time and Manner of Payment.

3.3.1 Tenant agrees that all Rent payable by Tenant hereunder shall be paid by Tenant to Landlord by check or certified funds not later than the close of business on the day on which first due, without any deduction, setoff, prior notice or demand, except as expressly set forth in this Lease. All Rents shall be paid in lawful money of the United States at such place as Landlord shall designate to Tenant from time to time in writing. Landlord agrees that Tenant may, at Tenant's risk, use United States mail for delivery of Rent. Landlord's receipt and deposit of any check shall not constitute satisfaction of Tenant's rental payment obligations until said check is paid in full by the bank upon which it is drawn.

3.3.2 Should Tenant fail to make any payment of Rent within five (5) business days of the date when such payment first becomes due, or should any check tendered in payment of Rent be returned to Landlord by Tenant's bank for any reason, then Tenant shall pay to Landlord, in addition to such Rental payment, a late processing charge in the amount specified in the Basic Provisions, which the parties agree is a reasonable estimate of the amount necessary to reimburse Landlord for the damages and additional costs not contemplated by this Lease that Landlord will incur as a result of the delinquent payment or returned check, including processing and accounting charges and late charges that may be imposed on Landlord by its lender. If Tenant fails to make payment within said five (5)- business day period, the entire amount then due, including said late charge, shall thereafter bear interest at the then-current federal discount rate in San Francisco plus two percent (2%). Should Tenant fail to make payment of any Rental payment(s) due hereunder within five (5) business days of the date when such payment(s) first become due on three (3) occasions in any twelve (12) month period, Landlord, at its option, may require Tenant to prepay Rent on a quarterly basis thereafter. Moreover, in the event any of Tenant's checks are returned for insufficient funds or other reasons not the fault of Landlord, Tenant agrees to pay Landlord the sum of twenty-five dollars ($25.00) in addition to any Late Charge and Landlord shall have the right any time thereafter to require that all future payments due from Tenant under this Lease for the next one (1)-year period be made by money order or by certified or cashier's check.

3.3.3 Landlord will apply Tenant's payments first to accrued late charges and attorney's fees, second to accrued interest, then to Minimum Monthly Rent and Common Area Expenses, and any remaining amount to any other outstanding charges or costs.

3.4 Prepaid Rent. Tenant shall pay to Landlord upon execution of this Lease Prepaid Rent, if any, in the amount specified in the Basic Provisions, which shall be allocated toward the payment of rent for the months specified in the Basic Provisions. If Tenant is not in default of any of the provisions of this Lease, the Rent prepaid by Tenant for the last month of the term of this Lease, if any, shall be reduced by the amount so allocated in the Basic Provisions.

Landlord's Initials  Tenant's Initials 

3.5 Security Deposit. Tenant shall deposit with Landlord upon execution of this Lease the amount specified in the Basic Provisions as a Security Deposit for the performance by Tenant of its obligation under this Lease. Tenant agrees that if Tenant defaults in its performance of this Lease, or in the payment of any sums owing to Landlord, or in the payment of any other sums required from Tenant under the provisions of this Lease, then Landlord may, but shall not be obligated to, use the Security Deposit, or any portion thereof, to cure such default or to compensate Landlord for any damage, including late charges and costs of enforcement, sustained by Landlord resulting from Tenant's default or nonpayment. If Landlord does so apply any portion of the Security Deposit, Tenant shall immediately pay Landlord sufficient cash to restore the Security Deposit to the amount of the then current Minimum Monthly Rent. If Tenant is not in default at the expiration or termination of this Lease, Landlord shall return the unexpended portion of the Security Deposit to Tenant within sixty (60) days following expiration or termination of this Lease, without interest. Landlord's obligations with respect to the Security Deposit shall be those of debtor, and not of a trustee, and Landlord shall be entitled to commingle the Security Deposit with the general funds of Landlord.

4. INTENTION OF PARTIES

4.1 Negation of Partnership. Nothing in this Lease is intended, and no provision of this Lease shall be construed, to make Landlord a partner of or a joint venturer with Tenant, or associated in any other way with Tenant in the Tenant's operation of the Premises (other than the relationship of landlord and tenant), or to subject Landlord to any obligation, loss, charge or expense resulting from or attributable to Tenant's operation or use of the Premises.

4.2 Real Estate Commissions. Each party represents and warrants to the other that it has not utilized the services of any real estate broker or other person who could claim any fee or commission from the other (other than the person(s) identified on Exhibit F attached hereto) in connection with Tenant entering into this Lease. Tenant warrants to Landlord that Tenant's sole contact with Landlord or with the Premises in connection with this transaction has been directly with Landlord, Landlord's Broker and Tenant's Broker specified in Exhibit F, and that no other broker or finder can properly claim a right to a commission or a finder's fee based upon contacts between the claimant and Tenant. Subject to the foregoing, Tenant agrees to indemnify and hold Landlord harmless from any claims or liability, including reasonable attorneys' fees, in connection with a claim by any person for a real estate broker's commission, finder's fee or other compensation based upon any statement, representation or agreement of Tenant, and Landlord agrees to indemnify and hold Tenant harmless from any such claims or liability, including reasonable attorneys' fees, based upon any statement, representation or agreement of Landlord.

5. PROPERTY TAXES AND ASSESSMENTS

5.1 Personal Property Taxes. Tenant shall pay before delinquency all taxes assessed against any personal property and/or leasehold improvements of Tenant installed or located in or upon the Premises and that become payable during the Term of this Lease. Tenant agrees to cooperate with Landlord to identify to the Assessor all Tenant improvements to the Premises.

5.2 Real Property Taxes. (*Continue on Exhibit K attached hereto*)

5.2.1 In addition to all other Rent payable by Tenant hereunder, Tenant agrees to pay as additional Rent its proportionate share of Real Property Taxes levied and assessed against the Project. Real Property Taxes for any fractional portion of a calendar year included in the Lease Term shall be prorated on the basis of a 360-day year.

5.2.2 Each year, Landlord shall notify Tenant of its proportionate share of the Real Property Taxes payable by Tenant hereunder and Tenant shall pay Landlord the amount payable by Tenant at the time and in the manner provided by Article 7 of this Lease.

5.2.3 Tenant's proportionate share of Real Property Taxes shall be the ratio that the square footage of the Premises bears to the total leasable square footage of the Building and other improvements of which the Premises are a part, or if such Building and improvements are not separately assessed, the total leasable square footage of the buildings and improvements constituting the Project. Tenant's proportionate share on the Commencement Date is set forth in the Basic Provisions; said proportionate share is subject to adjustment periodically as of the time each installment of Real Property Taxes is due. Increases in Real Property Taxes resulting under Proposition 13 changes in ownership of the Premises are waived for the initial three (3) years of the Lease in accordance with Exhibit K, Supplemental Terms and Conditions.

Landlord's Initials  Tenant's Initials 

5.2.4 Tenant shall pay to Landlord Tenant's proportionate share of the Real Property Taxes in each calendar year; provided, however, Landlord may, at its election, require that Tenant pay any increase in the assessed value of the Project based upon the value of the Tenant Improvements (as defined in the Exhibit B), if any, relative to the value of the other improvements on or to the other buildings in the Project, as reasonably determined by Landlord. Upon Tenant's request, Landlord shall endeavor to provide Tenant with a breakdown of Landlord's determination of Tenant's increased share of Real Property Taxes resulting from the Tenant Improvements.

5.3 Definition of Real Property Taxes. "Real Property Taxes" shall be the sum of the following: all real property taxes; possessory interest taxes; business or license taxes or fees; present or future Mello-Roos assessments; service payments in lieu of such taxes or fees; annual or periodic license or use fees; excise, transit and traffic charges; housing fund assessments, open space charges, childcare fees, school, sewer and parking fees or any other assessments, levies, fees, exactions or charges, general and special, ordinary and extraordinary, unforeseen as well as foreseen (including fees "in-lieu" of any such tax or assessment) which are assessed, levied, charged, conferred or imposed by any public authority upon the Project (or any real property comprising any portion thereof) or its operations, together with all taxes, assessments or other fees imposed by any public authority upon or measured by any rent or other charges payable hereunder, including any gross receipts tax or excise tax levied by any governmental authority with respect to receipt of rental income, or, with respect to or by reason of the development, possession, any tax or assessment levied in connection with the leasing, operation, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises or any portion thereof; any documentary transfer taxes upon this transaction or any document to which Tenant is a party creating or transferring an interest in the Premises; together with any tax imposed in substitution, partially or totally, of any tax previously included within the aforesaid definition or any additional tax the nature of which was previously included within the aforesaid definition; together with any and all costs and expenses (including, without limitation, attorneys', administrative and expert witness fees and costs) of challenging any of the foregoing or seeking the reduction in or abatement, redemption or return of any of the foregoing, but only to the extent of any such reduction, abatement, redemption or return. All references to Real Property Taxes during a particular year shall be deemed to refer to taxes accrued during such year, including supplemental tax bills, regardless of when they are actually assessed and without regard to when such taxes are payable. The obligation of Tenant to pay for supplemental taxes effective during the Term shall survive the expiration or early termination of this Lease. Nothing contained in this Lease shall require Tenant to pay any franchise, corporate, estate or inheritance tax of Landlord, or any income, profits or revenue tax or charge upon the net income of Landlord or any documentary transfer tax.

6. LANDLORD'S MANAGEMENT OF PROJECT

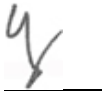
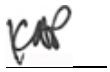
6.1 Management of Common Area and Project. Provided that Tenant's access to and use of the Premises is not unreasonably hindered or prevented (except for changes, alterations or modifications required by any federal, state, or local governmental or quasi-governmental body, or by law), the number of parking spaces available to Tenant is not unreasonably hindered or reduced (except for changes, reductions, alterations or modifications required by any federal, state, or local governmental or quasi-governmental body, or by law), and Tenant's proportionate share of Building Operating Expenses and Project Operating Expenses do not increase (except as provided in Section 6.2 below), Landlord shall have the right, in Landlord's sole discretion and expense, from time to time, to do any of the following:

6.1.1 Make changes to the Common Area, including, without limitation, changes in the location, size, shape and number of driveways, entrances, exits, parking spaces, parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscape areas, and walkways;

6.1.2 Close the Common Areas when and to the extent necessary for maintenance or renovation purposes or to prevent a dedication of any part thereof or the accrual of any rights therein in favor of the public or any third person;

6.1.3 Designate other land outside the boundaries of the Project to be part of the Common Area;

6.1.4 Install, use, maintain, repair, alter, relocate or replace any Common Area or to add additional buildings and improvements to the Common Area;

Landlord's Initials  Tenant's Initials 

6.1.5 Use the Common Area while engaged in making additional improvements, repairs or alterations to the Project, or any portion thereof;

6.1.6 Remodel or renovate the buildings and improvements constituting the Project, and, in connection therewith, to install pipes, conduits, ducts and similar fixtures beneath or through the Premises, provided that such remodeling or renovation does not substantially change the size, dimension, configuration or nature of the Premises; and/or

6.1.7 Do and perform other such acts and make other such changes in, to or with respect to the Common Area and the Project as Landlord may, in the exercise of sound business judgment, deem to be appropriate or prudent.

6.2 Tenant's Share. Landlord reserves the right to adjust Tenant's stated proportionate share ("Tenant Share") of Project Operating Expenses and/or Building Operating Expenses provided at least one of the following conditions are met:

6.2.1 Where alterations to the Project or the Building result in changes in the Common Areas, the Building or the Project;

6.2.2 Tenant leases additional space within the Building or the Project.

6.3 Rules and Regulations. Landlord shall have the right from time to time to promulgate, amend and enforce against Tenant and all persons upon the Premises, reasonable rules and regulations for the safety, care and cleanliness of the Common Area, Premises and the Project or for the preservation of good order; provided, however, that all such rules and regulations shall apply substantially equally and without discrimination to all tenants of Landlord in the Project. Tenant agrees to conform to and abide by such rules and regulations, and a violation of any of them shall constitute a default by Tenant under this Lease. The current Rules and Regulations are attached to this Lease as Attachment 1.

7. COMMON AREA EXPENSE AND OPERATING COSTS

7.1 Common Area Expenses. Tenant shall pay monthly to Landlord Tenant's Share of the Building Operating Expenses and Tenant's Share of Project Operating Expenses in each calendar year.

7.2 Definition of Operating Expenses. "Common Area Expenses" shall mean collectively the "Building Operating Expenses" and the "Project Operating Expenses".

7.2.1 Building Operating Expenses. "Building Operating Expenses" shall include all reasonable and necessary expenses incurred by Landlord in the ownership, operation, maintenance, repair and management of the Building in which the Premises are located, including, but not limited to the following:

(i) Non-structural repairs to and maintenance of the roof (and roof membrane), skylights and exterior walls of the Building (including painting);

(ii) The costs relating to the insurance maintained by Landlord with respect to the Building, except for any deductible amounts in excess of $50,000 in the aggregate, and earthquake insurance unless required by Landlord's lender;

(iii) Maintenance contracts for heating, ventilation and air-conditioning (HVAC) systems and elevators, if any;

(iv) Maintenance, monitoring and operation of the fire/life safety and sprinkler system;

(v) Capital improvements made to or capital assets acquired for the Building after the Commencement Date that are intended to reduce Building Operating Expenses or are reasonably necessary for the health and safety of the occupants of the Building or are required under any governmental law or regulation, which capital costs, or an allocable portion thereof, shall be amortized at eight percent (8%) per annum over its useful life as commercially reasonable determined by Landlord; and

(vi) Any other commercially reasonable maintenance costs incurred by Landlord related to the Building and not related to the Project as a whole.

7.2.2 Exclusions from Building Operating Expenses. Building Operating Expenses shall not include the following expenses:

(i) Replacement of or structural repairs to the roof or the exterior walls;

(ii) Repairs to the extent covered by insurance proceeds or warranties, or paid by Tenant or other third parties; and

(iii) Alterations solely attributable to tenants of the Project other than Tenant.

(iv) Earthquake Insurance (unless required by Landlord's lender);

(v) Any insurance deductible amounts in excess of $50,000 in the aggregate.

7.2.3 Project Operating Expenses. "Project Operating Expenses" shall include all reasonable and necessary expenses incurred by Landlord in the ownership, operation, maintenance, repair and management of the Project and/or the Common Area, including, but not limited to the following:

(i) Repair, maintenance, utility costs and landscaping of the Common Area, including, but not limited to, any and all costs of maintenance, repair and replacement of all parking areas (including bumpers, sweeping, and striping), loading and unloading areas, trash areas, common driveways, sidewalks, outdoor lighting, signs, directories, walkways, parkways, landscaping, irrigation systems, fences and gates and other costs which are allocable to the real property of which the Premises are a part;

(ii) The costs relating to the insurance maintained by Landlord with respect to the Project, except for any deductible amounts in excess of $50,000 in the aggregate and earthquake insurance (unless required by Landlord's lender);

(iii) Trash collection, security services;

(iv) Capital improvements made to or capital assets acquired for the Project after the Commencement Date that are intended to reduce Project Operating Expenses or are reasonably necessary for the health and safety of the occupants of the Project or are required under any governmental law or regulation, which capital costs, or an allocable portion thereof, shall be amortized eight percent (8%) per annum over its useful life as commercially reasonable determined by Landlord;

(v) Real Property Taxes;

(vi) All costs and fees incurred by Landlord in connection with the management of this Lease and the Premises, including the cost of those services which are customarily performed by a property management services company, together with a management fee to Landlord for accounting and project management services relating to the Building(s) and the Project in an amount equal to four percent (4%) of the sum of the gross rents received by Landlord from all of the tenants in the Project; and

(vii) Any other commercially reasonable maintenance costs incurred by Landlord related to the Project as a whole and not related solely to the Tenant or the Building in which the Premises are located.

7.2.4 Exclusions from Common Area Expenses. Notwithstanding anything in the definition of Common Area Expenses in the Lease to the contrary, Common Area Expenses shall not include the following, except to the extent specifically permitted by a specific exception to the following:

(i) Any ground lease rental;

(ii) Costs incurred by Landlord for the repair of damage to the Project, to the extent that Landlord is reimbursed by insurance proceeds;

(iii) Costs, including permit, license and inspection costs, incurred with respect to the installation of tenant or other occupants' improvements in the Project or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for tenants or other occupants of the Project;

(iv) Depreciation, amortization and interest payments, except as provided herein and except on materials, tools, supplies and vendor-type equipment purchased by Landlord to enable Landlord to supply services Landlord might otherwise contract for with a third party,

Landlord's Initials  Tenant's Initials 

where such depreciation, amortization and interest payments would otherwise have been included in the charge for such third party's services;

(v) Marketing costs, leasing commissions, attorneys' fees in connection with the negotiation and preparation of letters, deal memos, letters of intent, leases, subleases and/or assignments, space planning costs, and other costs and expenses incurred in connection with lease, sublease and/or assignment negotiations and transactions with present or prospective tenants or other occupants of the Project;

(vi) Costs incurred by Landlord due to the violation by Landlord or any other tenant of the terms and conditions of any lease of space in the Project;

(vii) Interest, principal, points and fees on debts or amortization on any mortgage or mortgages or any other debt instrument encumbering the Building or the Project (except as specifically permitted above);

(viii) Any compensation paid to clerks, attendants or other persons in commercial concessions operated by Landlord;

(ix) Advertising and promotional expenditures and costs of signs in or on the Building or Project identifying the owner of the Building or Project or other tenants' signs;

(x) Costs arising from Landlord's charitable or political contributions;

(xi) Costs for sculpture, paintings or other objects of art;

(xii) Costs associated with the operation of the business of the entity which constitutes Landlord as the same are distinguished from the costs of operation of the Project, including accounting and legal matters, costs of defending any lawsuits with any mortgagee (except as the actions of Tenant may be in issue), costs of selling, syndicating, financing, mortgaging or hypothecating any of Landlord's interest in the Project, costs of any disputes between Landlord and its employees (if any) not engaged in Project operation, disputes of Landlord with Project management, or outside fees paid in connection with disputes with other tenants;

(xiii) Costs of any "tap fees" or any sewer or water connection fees for the benefit of any particular tenant in the Project;

(xiv) Any expenses incurred by Landlord for use of any portions of the Project to accommodate events including, but not limited to shows, promotions, kiosks, displays, filming, photography, private events or parties, ceremonies, and advertising beyond the normal expenses otherwise attributable to providing Project services;

(xv) Any entertainment, dining or travel expenses for any purpose;

(xvi) Any flowers, gifts, balloons, etc. provided to any entity whatsoever, including, but not limited to, Tenant, other tenants, employees, vendors, contractors, prospective tenants and agents;

(xvii) Any "finders fees", brokerage commissions, job placement costs or job advertising costs;

(xviii) Any "above-standard" cleaning, including, but not limited to construction cleanup or special cleanings associated with parties/events and specific tenant requirements in excess of service provided to Tenant, including related trash collection, removal, hauling and dumping;

(xix) The cost of any magazine, newspaper, trade or other subscriptions;

(xx) The cost of any training or incentive programs, other than for tenant life safety information services;

(xxi) The cost of any "tenant relations" parties, events or promotion not consented to by an authorized representative of Tenant in writing;

(xxii) "In-house" legal fees;

(xxiii) Earthquake Insurance (unless required by Landlord's lender); and

(xxiv) Any insurance deductible amounts in excess of $50,000 in the aggregate.

Landlord's Initials  Tenant's Initials 

7.3 Payments by Tenant.

7.3.1 Tenant shall pay to Landlord as additional Rent on the first day of each full calendar month of the Term of this Lease. Tenant's monthly proportionate share of Landlord's Estimated Expenses (as defined below). If the Term of this Lease begins on a day other than the first day of a month, Tenant shall pay, in advance, its prorated share of the Landlord's Estimated Common Area Expenses for such partial month.

7.3.2 Estimated Common Area Expenses. "Estimated Expenses" for any particular year shall mean Landlord's estimate of Common Area Expenses and Real Property Taxes for a calendar year. Tenant shall pay Tenant's Share (as set forth in the Basic Provisions) of the Estimated Expenses with installments of Minimum Monthly Rent in monthly installments of one-twelfth (1/12th) thereof on the first day of each calendar month during such year. If at any time, but limited to once per year, Landlord determines that Common Area Expenses and Real Property Taxes are projected to vary from the then Estimated Expenses, Landlord may, by notice to Tenant, revise such Estimated Expenses, and Tenant's monthly installments for the remainder of such year shall be adjusted so that by the end of such calendar year Tenant has paid to Landlord Tenant's Share of the revised Estimated Expenses for such year.

7.3.3 Adjustment. "Common Area Expenses and Real Property Taxes Adjustment" (or "Adjustment") shall mean the difference between Tenant's Share of Estimated Expenses and Tenant's Share of Common Area Expenses and Real Property Taxes for any calendar year. Total Common Area Costs for any portion of an accounting period not included within the term of this Lease shall be prorated on the basis of a 360-day year. After the end of each calendar year, Landlord shall deliver to Tenant a statement of Tenant's Share of Common Area Expenses and Real Property Taxes for such calendar year, accompanied by a computation of the Adjustment. If Tenant's Estimated Expense payments are less than Tenant's Share, then Tenant shall pay the difference within thirty (30) days after receipt of such statement. Tenant's obligation to pay such amount effective during the Term shall survive the termination of this Lease. If Tenant's payments exceed Tenant's Share, then Landlord shall credit such excess amount to the subsequent Rents due; provided, however, if Tenant is in default, Landlord may, but shall not be required to, credit such amount to Rent arrearages.

7.3.4 Accounting Period. The accounting period for determining Landlord's Total Operating Costs shall be the calendar year, except that the first accounting period may be prorated and shall commence on the date the Lease term commences and the last accounting period may also be prorated and shall end on the date the Lease term expires or terminates.

7.4 Books and Records. Landlord shall keep full and accurate books of account, records and other pertinent data regarding Common Area Expenses. Such books, records and other pertinent data regarding such expenses shall be kept for a period of one (1) year after the close of each calendar year. Provided Tenant is not in default under this Lease, Tenant shall have the right to review, audit, and copy all documents and information pertaining to Common Area Expenses for a period of one (1) year following the receipt of Landlord's Common Area Expense statement. Tenant shall give Landlord no less than twenty (20) business days notice prior to commencing an audit, which audit shall take place during Landlord's normal business hours, and all documents shall remain at Landlord's place of business at all times. In no event, however, will Landlord or its property manager be required to keep separate accounting records for the components of Common Area Expenses or to create any ledgers or schedules not already in existence. Tenant shall have an auditor acceptable to Landlord to conduct such audit at Tenant's sole cost and expense, but in no event shall said auditor be compensated based on savings generated to Tenant as a result of such audit. In the event the audit reveals that there are amount due either Landlord or Tenant, then any amounts due shall be immediately paid by the appropriate party. Tenant shall pay for all costs of the audit unless Tenant's share of Operating Expenses, as determined by the audit, differs by more than five percent (5%) in favor of the Tenant, in which case Landlord shall bear the cost of the audit up to a maximum cost of $1,000.00 per year. In the event Landlord disputes the findings of such audit, Landlord and Tenant shall have thirty (30) days to resolve such dispute. If, however, Landlord and Tenant have not reached a consensus during such thirty (30) day period, Landlord and Tenant shall submit the dispute for resolution in accordance with the provisions of Article 42, below.

8. USE; LIMITATIONS ON USE

8.1 Tenant's Use of Premises. Tenant agrees that the Premises shall be used and occupied only for the Permitted Uses specified in the Basic Provisions, and for no other use. Tenant shall not use or permit the Premises to be used for any other purpose or purposes or under any other trade name whatsoever without the prior written consent of Landlord, which consent may be withheld or granted at Landlord's sole and absolute discretion. Tenant's use of the Premises shall be in compliance with and subject to all applicable governmental laws,

Landlord's Initials  Tenant's Initials 

ordinances, statutes, orders and regulations and any CC&R's (including payments thereunder, if any) or any supplement thereto recorded in any official or public records with respect to the Project or any portion thereof. In the event Landlord desires to record CC&R's against the Project after the date of full execution of this Lease, Landlord shall, at its option, either (i) obtain Tenant's consent thereto, which consent shall not be unreasonably withheld (provided Tenant's material rights and obligations under the Lease are not impaired, but provided that any provisions of such CC&R's which require Tenant to pay reasonable assessments such as for common area maintenance and landscaping shall not be deemed to impair Tenant's material rights and obligations under this Lease), conditioned or delayed or (ii) elect not to obtain Tenant's consent thereto, in which event the provisions of this Lease shall prevail over any conflicting provisions of the CC&R's. Tenant further covenants and agrees that it will not use or suffer or permit any person or persons to use the Premises or any part thereof for conducting therein a second-hand store, auction, distress or fire sale or bankruptcy or going-out-of-business sale, or for any use or purpose in violation of the laws of the United States of America or the laws, ordinances, regulations and requirements of the State, County and City wherein the Premises are situated, including in violation of any of the permitted use restrictions outlined in Exhibit N. Tenant, at Tenant's sole cost and expense, shall comply with the rules and regulations attached hereto as Attachment 1, together with such additional rules and regulations as Landlord may from time to time prescribe. Tenant shall not commit waste; overload the floors or structure of the Building in which the Premises are located; subject the Premises, the Building, the Common Area or the Project to any use which would damage the same or increase the risk of loss or violate any insurance coverage; permit any unreasonable odors, smoke, dust, gas, substances, noise or vibrations to emanate from the Premises, take any action which would constitute a nuisance or would disturb, obstruct or endanger any other tenants, take any action which would abrogate any warranties; or use or allow the Premises to be used for any unlawful purpose. Tenant shall promptly comply with the reasonable requirements of any board of fire insurance underwriters or other similar body now or hereafter constituted. Tenant shall not do any act which shall in any way encumber the title of Landlord in and to the Premises, the Building or the Project. Tenant further covenants and agrees that during the term hereof the Premises, and every part thereof, shall be kept by Tenant in a first-class, clean and wholesome condition, free of any objectionable noises, odors or nuisances, and that all fire, safety, health and police regulations shall, in all respects and at all times, be fully complied with by Tenant.

8.2. Additional Limitation on Use. Tenant's use of the Premises shall be in accordance with the following requirements:

8.2.1 Insurance Hazards. Tenant shall neither engage in nor give permission to others to engage in any activity or conduct that will cause the cancellation of or an increase in the premium for any fire or liability insurance maintained by Landlord, and will pay any increase in the fire or liability insurance premiums attributable to Tenant's use of the Premises. Tenant shall, at Tenant's sole cost, comply with all recommendations of any insurance organization or company pertaining to Tenant's specific use of the Premises necessary for the maintenance of reasonable fire and public liability insurance covering the Project.

8.2.2 Compliance with Law. Tenant shall, at Tenant's sole cost and expense, comply with all of the requirements, ordinances and statutes of all municipal, state and federal authorities now in force, or which may hereafter be in force, pertaining to the Premises and the use and occupancy thereof, including any local rules or requirements limiting the hours of Tenant's operations. The judgment of any arbitrator or court of competent jurisdiction, or the admission of Tenant in any action or proceeding against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any such ordinances or statutes in the use of the Premises shall be conclusive of that fact as between Landlord and Tenant.

8.2.3 Waste; Nuisance. Tenant may not display, store or sell merchandise or allow carts, construction debris, trash, portable signs, devices or merchandise of any kind or any other objects to be stored or to remain outside of the Premises. Tenant shall not use, or suffer or permit any person or persons to use the Premises in any manner that will tend to create waste or a nuisance or tend to disturb other tenants of the Project. Tenant shall not place or authorize to have placed or affixed handbills or other advertising materials on automobiles or buildings within the Project, nor shall Tenant place or cause to be placed newspaper racks, advertisements or displays in the Common Area.

8.2.4 Trash and Rubbish Removal. Tenant agrees that all trash and rubbish of Tenant shall be deposited within the appropriate receptacles therefor and that there shall be no trash receptacles permitted on the Premises except such trash receptacles as may be provided or designated by Landlord. If applicable to Tenant's business, Tenant shall be responsible to purchase and maintain its own grease rendering drums (of a design approved by Landlord) and place them in an area designated therefor by Landlord. Tenant shall be solely responsible for clean up costs as a result of any leaking or spillage of its rendering drum or grease collection

equipment, whether or not due to vandalism, and shall be solely responsible to arrange and pay for disposal of its grease by a licensed rendering service. Tenant shall, on its own behalf, provide and pay for as a portion of Common Area Expenses the regular removal and disposal of trash and rubbish located in its approved trash receptacles, the location of which shall be reasonably approved by Landlord. In the event Tenant fails to comply with Landlord's trash and rubbish removal procedures set forth above, Tenant shall be liable to Landlord for all costs or damage incurred by Landlord in facilitating trash removal and maintenance of a neat and clean Project. The foregoing notwithstanding, Tenant shall provide and pay for any special or additional trash disposal facilities, equipment or services necessitated by the nature of Tenant's business, including trash receptacles for disposal of perishable food items.

8.3 Intentionally omitted.

8.4 No Representations by Landlord. Tenant agrees that neither Landlord nor any agent of Landlord has made any representation or warranty as to the conduct of Tenant's business or the suitability of the Premises for Tenant's intended purpose. Tenant further agrees that no rights, easements or licenses are acquired by Tenant by implication or otherwise except as expressly set forth in the provisions of this Lease. Tenant will, prior to the delivery of possession of the Premises, inspect the Premises and the Project and become thoroughly acquainted with their condition, and Tenant agrees to take the same "as is", and acknowledges that the taking of possession of the Premises by Tenant shall be conclusive evidence that the Premises and the Project were in good and satisfactory condition at the time such possession was so taken. Tenant acknowledges that: (a) it has been advised by Landlord and/or its brokers to satisfy itself with respect to the condition of the Premises (including the electrical, HVAC and fire sprinkler systems, security, environmental aspects, compliance with laws and regulations, including the Americans with Disabilities Act, and zoning) and the suitability of the Premises for Tenant's permitted use, and (b) Tenant has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefore as the same relate to Tenant's occupancy of the Premises. All understandings and agreements heretofore made between the parties hereto are merged in this Lease. Notwithstanding the foregoing, except as otherwise expressly set forth in the Lease, Landlord represents and warrants to Tenant that to Landlord's actual present knowledge, without duty of investigation or inquiry, all of the utilities and building systems (including water, sewer, gas electrical, plumbing, lighting, data and communications drops and HVAC) serving the Premises and all of the Landlord's Work shall be complete, operational and in good working condition on the Commencement Date. Landlord shall, at its sole cost, be responsible for correcting or repairing any defect or deficiency in such utilities and building systems and the Landlord's Work that occurs within one (1) year after the Commencement Date, provided such repairs are not required as a result of the gross negligence or willful misconduct of Tenant or Tenant's agents, subcontractors, or assigns. Landlord shall perform to Tenant's reasonable satisfaction the initial balancing of the HVAC system. Landlord warrants on and as of the Commencement Date that the Building and the Premises (including all of Landlord's Work) shall comply with all applicable laws, regulations and codes, including the Americans with Disabilities Act, and that Landlord shall promptly upon written notice, at its sole cost, correct any noncompliance with such warranty; provided however, and without limiting the provisions of Section 9.1 below, it is expressly acknowledged by Tenant that said warranty shall not apply to: (1) any changes, modifications, amendments, or enactments of any law after the Commencement Date, or (2) any specific or unique use of the Premises by Tenant, or (3) any changes, alterations, modifications or improvements to the Premises conducted by Tenant after the Commencement Date.

In addition, Landlord represents to Tenant, that: (a) Landlord is the sole fee owner of the Building, the Premises and the Project; (b) to Landlord's actual present knowledge, without duty of investigation or inquiry, there are no encumbrances, liens, agreements, covenants in effect that would materially or unreasonably limit Tenant's rights hereunder; (c) to Landlord's actual present knowledge, without duty of investigation or inquiry, Landlord is unaware of any impending condemnation plans, proposed assessments or other adverse conditions relating to the Premises or the Project; and (d) to Landlord's actual present knowledge, without duty of investigation or inquiry, and except as described in that certain Phase I Environmental Site Assessment Report, prepared by EMG, dated August 27, 2001, there are no Hazardous Materials in or about the Building or the Premises, and (e) the Building and Premises shall be compliant with all applicable laws, including, but not limited to, the Americans With Disabilities Act as of the Commencement Date.

9. ALTERATIONS.

9.1 Trade Fixtures; Alterations. Tenant may install necessary trade fixtures, equipment and furniture in the Premises, provided that such items are installed and are removable without structural or material damage to the Premises, the Building in which the

Premises are located, the Common Area or the Project, with the exception for cosmetic alterations under $10,000 per occurrence. Tenant shall not construct, nor allow to be constructed, any alterations or physical additions in, about or to the Premises without obtaining the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed but which, however may be conditioned upon Tenant's compliance with Landlord's reasonable requirements regarding construction of improvements and alterations. Tenant shall submit plans and specifications to Landlord with Tenant's request for approval and shall reimburse Landlord for any commercially reasonable costs which Landlord may incur in connection with granting approval to Tenant for any such alterations and additions, including any commercially reasonable costs or expenses which Landlord may incur in electing to have outside architects and engineers review said matters, but in no event will Tenant be liable for costs in excess of $1,000.00. If Landlord does not respond to a written request from Tenant within ten (10) business days, then Landlord shall be deemed to disapprove such request. In the event Tenant makes any alterations to the Premises that trigger or give rise to a requirement that the Building or the Premises come into compliance with any governmental laws, ordinances, statutes, orders and/or regulations (such as ADA requirements), Tenant shall be fully responsible for complying, at its sole cost and expense, with same. Tenant shall file a notice of completion after completion of such work and provide Landlord with a copy thereof. Tenant shall provide Landlord with a set of "as-built" drawings for any such work. Tenant shall not commence any alterations to the Premises without first providing Landlord five (5) business days notice of the date Tenant intends to commence such work. Notwithstanding the foregoing, the terms outlined in Exhibit B, shall be observed as it pertains to Tenant's Alterations.

9.2 Damage; Removal. Tenant shall repair all damage to the Project, the Premises and/or the Building caused by the installation or removal of Tenant's fixtures, equipment, furniture and alterations. Landlord shall have the right upon providing Tenant with sixty (60) days prior written notice from the termination of this Lease, to require tenant to remove any or all trade fixtures, alterations, additions, improvements and partitions made or installed by Tenant after the Commencement Date and restore the Premises to its condition existing prior to the construction of any such items less normal wear and tear; provided, however, Landlord has the absolute right to require Tenant to have all or any portion of such items designated by Landlord to remain on the Premises, in which event they shall be and become the property of Landlord upon the termination of this Lease. All such removals and restoration shall be accomplished in a good and workmanlike manner and so as not to cause any damage to the Premises, the Building, the Common Area or the Project whatsoever.

9.3 Liens. Tenant shall promptly pay and discharge all claims for labor performed, supplies furnished and services rendered at the request of Tenant and shall keep the Premises free of all mechanics' and materialmen's liens in connection therewith. Tenant shall provide at least thirty (30) days prior written notice to Landlord before any labor is performed, supplies furnished or services rendered on or at the Premises, and Landlord shall have the right to post on the Premises notices of non-responsibility. If any lien is filed, Tenant shall cause such lien to be released and removed within ten (10) days after the date of filing, and if Tenant fails to do so, Landlord may take such action as may be necessary to remove such lien and Tenant shall pay Landlord such amounts expended by Landlord, together with interest thereon at the Applicable Interest Rate from the date of expenditure.

9.4 Standard of Work. All work to be performed by or for Tenant pursuant hereto shall be performed diligently and in a first class, workmanlike manner, and in compliance with all applicable laws, ordinances, regulations and rules of any public authority having jurisdiction over the Premises and/or Tenant and Landlord's insurance carriers. Landlord shall have the right, but not the obligation, to inspect periodically the work on the Premises, and Landlord may require changes in the method or quality of the work.

10. UTILITIES; ESSENTIAL SERVICES; ACCESS

10.1 Utilities.

10.1.1 Tenant's Responsibilities. Tenant shall make all arrangements for and shall pay the charges when due for all water, gas and heat, light, power, telephone service, trash collection and all other services and utilities supplied to the Premises during the entire Term of this Lease, and shall promptly pay all connection and termination charges therefor. In the event the Premises is not separately metered, Tenant shall have the option, subject to Landlord's prior written consent and the terms of this Lease, to cause the Premises to be separately metered at Tenant's sole cost and expense. If Tenant does not elect to cause the Premises to be separately metered, Tenant shall pay a reasonable proration of utilities, as determined by Landlord. If Landlord determines that Tenant's usage of utility service to the Building is excessive, compared with the usage of other tenants of the Building, Landlord may charge Tenant separately for such excessive usage.

Landlord's Initials  Tenant's Initials 

10.1.2 Extent of Landlord's Liability. The suspension or interruption in utility services to the Premises for reasons beyond the ability of Landlord to control shall not constitute a default by Landlord or entitle Tenant to any reduction or abatement of rent nor shall Landlord have any liability to Tenant therefore.

10.2 Essential Services. "Essential Services" shall mean and include such services provided by either Landlord, Landlord's agents, or a third party that is an integral part of Tenant's operations within the Premises, such that Tenant shall not be capable of conducting business therein without such service. Landlord shall not be liable to Tenant for interruption in or curtailment of Essential Services unless such interruption or curtailment is solely attributable to the negligence of Landlord. Notwithstanding the foregoing, no interruption or curtailment of Essential Services shall constitute constructive eviction or grounds for rental abatement, unless such interruption or curtailment is continuous and attributable solely to the gross negligence of Landlord or Landlord's agents.

10.3 Access to the Premises. Tenant shall have access to the Premises twenty four (24) hours per day, three hundred sixty five (365) days per year, including normal business holidays. Access to the Premises shall be deemed available if a willing and able employee of Tenant can gain entrance to the Premises through a legal entryway.

11. TENANT'S PERSONAL PROPERTY

11.1 Installation of Property. Landlord shall have no interest in any removable equipment, furniture or trade fixtures owned by Tenant or installed in or upon the Premises solely at the cost and expense of Tenant (the "Tenant's Property"). Prior to creating or permitting the creation of any lien or security or reversionary interest in any removable personal property to be placed in or upon the Premises, Tenant shall obtain for the benefit of Landlord and shall deliver to Landlord the written agreement of the party holding such interest to make such repairs necessitated by the removal of such property and any damage resulting therefrom as may be necessary to restore the Premises to good condition and repair, excepting only reasonable wear and tear, in the event said property is thereafter removed from the Premises by said party, or by any agent or representative thereof or purchaser therefrom, pursuant to the exercise or enforcement of any rights incident to the interest so created, all without any cost or expense to Landlord.

11.2 Removal of Personal Property. (*Continued on Exhibit K attached hereto*) Tenant shall have the right to remove at its own cost and expense upon the expiration of this Lease Tenant's Property. Prior to the close of business on the last day of the Lease Term, all such personal property shall be removed, and Tenant shall make such repairs necessitated by the removal of said property and any damage resulting therefrom as may be necessary to restore the Premises to good condition and repair, excepting only reasonable wear and tear. Any such property not so removed shall be deemed to have been abandoned or, at the option of Landlord, shall be removed and placed in storage for the account and at the cost and expense of Tenant.

12. REPAIRS AND MAINTENANCE.

12.1 Tenant.

12.1.1 Tenant, at Tenant's sole cost and expense, shall keep and maintain the Premises, including all improvements constructed by Tenant therein, in good order, condition and repair including, but not limited to, the following:

i) Interior surfaces of walls and wall coverings;

ii) Intentionally omitted;

iii) Floors, subfloors, carpeting and other floor coverings;

iv) Doors, door frames, and door closures and locks;

v) Interior windows, glass, and plate glass, excluding exterior glass cleaning or windows that break from the outside through no fault of Tenant, Tenant's agents, employees, or invitees;

vi) Ceilings and ceiling systems;

vii) Thermostats within the Premises;

viii) Interior electrical distribution and equipment, including lighting systems, switches and electrical panels;

ix) Interior plumbing, and sprinkler systems, if any, installed therein;

x) Interior electrical and mechanical systems and wiring;

xi) Appliances and devices using or containing refrigerants;

xii) Fixtures and equipment in good repair and in a clean and safe condition;

xiii) Decorative wall, paint, signs and lighting equipment within the Premises; and

xiv) Repair and/or replace any and all of the foregoing in a clean and safe condition, in good order, condition and repair.

12.1.2 Tenant shall keep any parking area adjacent to Premises clean and neat at all times, and shall remove immediately therefrom any litter, debris or other unsightly or offensive matter placed or deposited thereon by the agents or customers of Tenant.

12.1.3 Tenant shall as necessary, or when required by governmental authority, make modifications or replacements to the foregoing.

12.1.4 Prior to making any repairs required hereunder (except in the case of an emergency), Tenant shall notify Landlord in writing as to the nature and extent of such damage, and shall provide Landlord with an estimate of the cost and time required to complete such repairs. Without limiting the foregoing, Tenant shall, at Tenant's sole expense (i) immediately replace all broken glass in the Premises with glass equal to or in excess of the specification and quality of the original glass; (ii) repair any area damaged by Tenant, Tenant's agents, employees, invitees and visitors, including any damage caused by any roof penetration, whether or not such roof penetration was approved by Landlord; and (iii) unless otherwise specified in this Lease, provide janitorial services for the interior of the Premises.

12.1.5 In the event Tenant fails, in the reasonable judgment of Landlord, to maintain the Premises in accordance with the obligations under the Lease, which failure continues at the end often (10) days following Tenant's receipt of written notice from Landlord (except with respect to an emergency in which case Landlord may act immediately) stating with particularity the nature of the failure, Landlord shall have the right, but shall not be obligated, to enter the Premises and perform such maintenance, repairs or refurbishing at Tenant's sole cost and expense (including a sum for overhead to Landlord).

12.1.6 Tenant shall maintain written records of maintenance and repairs, as required by any applicable law, ordinance or regulation, and shall use certified technicians to perform such maintenance and repairs, as so required.

12.1.7 Provided Landlord notifies Tenant in writing Tenant shall be required to deliver full and complete copies of all service or maintenance contracts entered into by Tenant for the Premises to Landlord within sixty (60) days after the Commencement Date.

12.1.8 Tenant hereby waives the right to make repairs at Landlord's expense under the provisions of any laws permitting repairs by a tenant at the expense of the landlord to the extent allowed by law, it being intended that Landlord and Tenant have by this Lease made specific provision for such repairs and have defined their respective obligations relating thereto.

12.2 Landlord.

12.2.1 Except as otherwise provided in this Lease, and subject to the following limitations, Landlord shall, at its sole cost and expense, repair damage to the structural components of the roof, the foundation and exterior portions of exterior walls (excluding wall coverings, painting, glass and doors) of the Building; provided, however, if such damage is caused by an act or omission of Tenant, Tenant's employees, agents, invitees, subtenants, or contractors, then such repairs shall be at Tenant's sole expense. Notwithstanding the foregoing, Landlord shall not be required to make any repair resulting from any of the following conditions:

i) Any alteration or modification to the Building or to mechanical equipment within the Building performed by, for or because of Tenant or to special equipment or systems installed by, for or because of Tenant;

ii) The installation, use or operation of Tenant's property, fixtures and equipment;

iii) The moving of Tenant's Property in or out of the Building or in and about the Premises;

iv) Tenant's use or occupancy of the Premises in violation of Section 8 of this Lease or in the manner not contemplated by the parties at the time of the execution of this Lease;

v) The acts or omissions of Tenant and Tenant's employees, agents, invitees, subtenants, licensees or contractors;

vi) Fire and other casualty, except as provided by Section 13 of this Lease; and

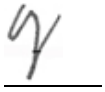
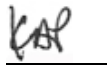
vii) Condemnation, except as provided in Section 15 of this Lease. Landlord shall have no obligation to make repairs under this Section 12.2 until a commercially reasonable time after receipt of written notice from Tenant of the need for such repairs. There shall be no abatement of Rent during the performance of such work. Unless as due to Landlord's gross negligence or willful misconduct, Landlord shall not be liable to Tenant for injury or damage that may result from any defect in the construction or condition of the Premises, nor for any damage that may result from interruption of Tenant's use of the Premises during any repairs by Landlord. Tenant waives any right to repair the Premises, the Building and/or the Common Area at the expense of Landlord under any applicable governmental laws, ordinances, statutes, orders or regulations now or hereafter in effect which might otherwise apply.

12.2.2 Landlord shall have no obligation to make repairs under this Section 12.2 until a commercially reasonable time after receipt of written notice from Tenant of the need for such repairs. There shall be no abatement of Rent during the performance of such work. Unless due to Landlord's gross negligence or willful misconduct, Landlord shall not be liable to Tenant for injury or damage that may result from any defect in the construction or condition of the Premises, nor for any damage that may result from interruption of Tenant's use of the Premises during any repairs by Landlord. Tenant waives any right to repair the Premises, the Building and/or the Common Area at the expense of Landlord under any applicable governmental laws, ordinances, statutes, orders or regulations now or hereafter in effect which might otherwise apply.

13. INDEMNITY AND INSURANCE

13.1 Indemnification. Tenant hereby indemnifies and holds Landlord and Landlord's partners, employees, and agents (collectively the "Landlord Parties") harmless from and against any and all claims (except claims resulting from Landlord's gross negligence or willful misconduct) arising from any activity, work, or thing done, permitted or suffered by Tenant or its agents or employees in or about the Premises, and further Tenant shall indemnify and hold Landlord and the Landlord Parties harmless from and against any and all claims arising from any breach or default in the performance by Tenant of any obligation to be performed by Tenant under the terms of this Lease, or arising from any act or negligence of Tenant, or any of its agents, contractors, employees, or invitees, and from and against all costs, attorneys' fees, expenses and liabilities incurred in, or related to, any such claim or any action or proceeding brought thereon. In case any action or proceeding shall be brought against Landlord and/or the Landlord Parties by reason of any such claim, Tenant, upon notice from Landlord and/or the Landlord Parties, shall defend Landlord and the Landlord Parties at its own expense by counsel of Landlord's own choosing and reasonably satisfactory to Tenant and Tenant's lender. Subject to the foregoing, Tenant, as a material part of the consideration to Landlord, hereby assumes all risk of damage to property or injury to persons, in, upon or about the Premises from any cause except to the extent as may be caused by the gross negligence or willful misconduct of Landlord, and Tenant hereby waives all claims with respect thereto against Landlord.

Landlord hereby indemnifies and holds Tenant, Tenant's employees and agents (collectively the "Tenant Parties") harmless from and against any and all claims (except claims resulting from Tenant's or Tenant Parties' gross negligence or willful misconduct) arising from any activity, work, or thing done, permitted or suffered by Landlord and its agents and employees in or about the Premises, and further Landlord shall indemnify and hold Tenant and the Tenant Parties harmless from and against any and all claims arising from any breach or default in the performance by Landlord of any obligation to be performed by it under the terms of this Lease, or arising from any grossly negligent or willful act or negligence of Landlord, or any of its agents, contractors, employees, or invitees, and from and against all costs, attorneys' fees, expenses and liabilities incurred in, or related to, any such claim or any action or proceeding brought thereon. In case any action or proceeding shall be brought against Tenant or any of the Tenant Parties by reason of any such claim, Landlord, upon notice from Tenant and the Tenant Parties, shall defend Tenant at its own expense by counsel of Tenant's own choosing and reasonably satisfactory to Landlord and Landlord's lender.

Landlord's Initials  Tenant's Initials 

13.2 Exemption of Landlord from Liability. Tenant hereby agrees that Landlord shall not be liable for injury or damage which may be sustained by the person, goods, wares, merchandise or property of Tenant, its employees, invitees or customers, or by any other person in or about the Premises caused by or resulting from fire, steam, electricity, gas, water or rain which may leak or flow from or into any part of the Premises, or from the breakage, leakage, obstruction or other defects of the pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures of the same, whether the said damage or injury results from conditions arising upon the Premises or from other sources; provided, however, that notwithstanding the foregoing, Landlord shall not be relieved from liability with respect to such injury or damage resulting from Landlord's gross negligence or willful misconduct. The parties acknowledge and agree that Landlord shall not be liable to Tenant for any damages arising from any act or neglect of any other tenant of the Project, including such tenant's employees, agents, vendors and invitees.

13.3 Public Liability and Property Damage.

13.3.1 Insurance Coverage. Tenant agrees to maintain in force throughout the term hereof, at Tenant's sole cost and expense, such insurance, including liability insurance against liability to the public incident to the use of or resulting from any accident occurring in or about the Premises, of the types and with the initial limits of liability specified in the Basic Provisions. Said policies shall contain an "Additional Insured-Managers or Lessors of Premises Endorsement" and contain the "Amendment of the Pollution Exclusion Endorsement" for damages caused by heat, smoke or fumes from a hostile fire. The policy shall contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Tenant's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Tenant nor relieve Tenant of any obligation hereunder. All insurance carried by Tenant shall be primary to and not contributory with any similar insurance carried by Landlord, whose insurance shall be considered excess insurance only.

13.3.2 Adjustments to Coverage. Tenant further agrees to review the amount of its insurance coverage with Landlord every three (3) years to the end that the protection coverage afforded thereby shall be in proportion to the initial protection coverage. If the parties are unable to agree upon the amount of said coverage prior to the expiration of each such three (3) year period, then the amount of coverage to be provided by Tenant's carrier shall be adjusted to the amounts of coverage recommended in writing by an insurance broker selected by Landlord.

13.3.3 Notification of Incidents. Tenant shall notify Landlord within twenty-four (24) hours after the occurrence of any accidents or incidents in the Premises, the Building, Common Areas or the Project which could give rise to a claim under any of the insurance policies required under this Article 13.

13.4 Tenant's Property Insurance. Tenant, at its own cost and expense, shall maintain on all of Tenant's Property a policy of standard fire and extended coverage insurance, with vandalism and malicious mischief endorsements, to the extent of at least one hundred percent (100%) of their replacement cash value. The proceeds of any such policy that become payable due to damage, loss or destruction of such property shall be used by Tenant for the repair or replacement thereof.

13.5 Proof of Insurance. Each policy of insurance required of Tenant by this Lease shall be a primary policy, issued by an insurance company licensed in the state where the Premises are located and shall maintain during the policy term a "General Policyholder's Rating" of at least B+, V, as set forth in the most current issue of "Best's Insurance Guide," or such other rating as may be reasonably satisfactory to Landlord. Tenant shall not do or permit to be done anything which invalidates the required insurance policies. Tenant shall, prior to the Commencement Date, deliver to Landlord certified copies of policies of such insurance or certificates evidencing the existence and amounts of the required insurance. Tenant shall, at least thirty (30) days prior to the expiration of such policies, furnish Landlord with evidence of renewals or "insurance binders" evidencing renewal thereof, or Landlord may order such insurance and charge the cost thereof to Tenant, which amount shall be payable by Tenant to Landlord upon demand.

13.6 Casualty Insurance. Landlord shall maintain casualty insurance on the Building in which the Premises is situated, and on all other buildings in the Project, if any, insuring against loss by fire and the perils covered by an extended coverage endorsement, in an amount

not less than eighty percent (80%) of their full replacement cost and as otherwise required by any mortgage lender of the improvements comprising the Project. Tenant shall be added by landlord on policy as an Additional Insured.

13.7 Subrogation. Landlord and Tenant intend that their respective property loss risks shall be borne by reasonable insurance carriers to the extent above provided as required herein, and Landlord and Tenant hereby agree to look solely to, and seek recovery only from, their respective insurance carriers in the event of a property loss to the extent that such coverage is agreed to be provided hereunder. The parties each hereby waive all rights and claims against each other to the extent of such losses, and waive all rights of subrogation of their respective insurers, provided such waiver of subrogation shall not affect the right of the insured to recover thereunder. The parties agree that their respective insurance policies are now, or shall be, endorsed such that the waiver of subrogation shall not affect the right of the insured to recover thereunder, so long as no material additional premium is charged therefor.

14. DAMAGE AND DESTRUCTION.

14.1 Casualty. If the Premises or the Building(s) in which the Premises are located should be damaged, destroyed, or rendered inaccessible by fire or other casualty, Tenant shall give immediate written notice to Landlord. Within forty-five (45) days after receipt from Tenant of such written notice, Landlord shall notify Tenant in writing ("Landlord's Repair Estimate") whether the necessary repairs can reasonably be made within ninety (90) days.

14.1.1 Rent Abatement. If Tenant cannot access or is required to vacate all or a portion of the Premises due to the casualty, the Rent payable hereunder shall be abated proportionately on the basis of the size of the area of the Premises which is rendered inaccessible or which must be vacated due to such casualty (e.g., the number of square feet of floor area of the Premises that is vacated compared to the total square footage of the floor area of the Premises) from the Casualty Date; provided, however, such casualty was not caused by Tenant or Tenant's agents, contractors or invitees.

14.1.2 Less Than 90 Days. If Landlord's Repair Estimate indicates that rebuilding or repairs can reasonably be completed within ninety (90) days after the date on which the casualty occurred ("Casualty Date"), this Lease shall not terminate, and provided that insurance proceeds are available to fully repair the damage, Landlord shall repair the Premises, except that Landlord shall not be required to rebuild, repair or replace Tenant's property which may have been placed in, on or about the Premises by or for the benefit of Tenant. In the event that Landlord should fail to substantially complete such repairs within ninety (90) days after the Casualty Date (such period to be extended for delays caused by Tenant or because of any items of Force Majeure, as hereinafter defined), and Tenant has not re-occupied the Premises, Tenant shall have, as Tenant's exclusive remedy, the right, within ten (10) days after the expiration of such ninety (90) day period, to terminate this Lease by delivering written notice to Landlord, whereupon all rights hereunder shall cease and terminate thirty (30) days after Landlord's receipt of such notice.

14.1.3 Greater Than 90 Days. If Landlord's Repair Estimate indicates that rebuilding or repairs cannot be completed within ninety (90) days after the Casualty Date, either Landlord or Tenant may terminate this Lease by giving written notice within ten (10) days after the date of Landlord's Repair Estimate; and this Lease shall terminate and the Rent shall be abated from the date Tenant vacates the Premises. In the event that neither party elects to terminate this Lease, Landlord shall promptly commence and diligently pursue to completion the repairs to the Building or Premises, provided insurance proceeds are available to repair the damage (except that Landlord shall not be required to rebuild, repair or replace Tenant's property which may have been replaced in, on or about the Premises by or for the benefit of Tenant).

14.1.4 Changes in Zoning, Ordinances or Applicable Laws. Should then applicable laws or zoning ordinances preclude the restoration or replacement of the Premises in the manner hereinbefore provided, then Landlord shall have the right to terminate this Lease immediately upon verification thereof by giving written notice of termination to Tenant, and thereupon both parties hereto shall be released from all further liability hereunder, except that Tenant shall remain liable under the provisions of Articles 9, and 13, and Landlord shall remain liable under Articles 9, 13 and 42.

14.2 Tenant's Fault. In the event that the Premises or any portion of the Building are located is damaged as a result of the negligence or breach of this Lease by Tenant or any of Tenant's parties, Tenant shall not have the right to terminate the Lease as set forth above nor shall the Rent be reduced during the repair of such damage. In such event, Tenant shall be liable to Landlord for the cost of the repair caused thereby to the extent such cost is not covered by insurance proceeds from policies of insurance required to be maintained pursuant to the provisions of this Lease.

Landlord's Initials  Tenant's Initials 

14.3 Uninsured Casualty. Subject to Section 7.2.2 any deductible amount payable under the property insurance for the Building(s) in which the Premises are located shall be an Operating Expense. In the event that the Premises or any portion of the Building(s) is damaged to the extent Tenant is unable to use the Premises and such damage is not covered by insurance proceeds received by Landlord or in the event that the holder of any indebtedness secured by the Premises requires that the insurance proceeds be applied to such indebtedness, then Landlord shall have the right, at Landlord's option, either to (i) repair such damage as soon as reasonably possible at Landlord's expense or (ii) give written notice to Tenant within thirty (30) days after the date of the occurrence of such damage of Landlord's intention to terminate this Lease as of the date of the occurrence of such damage. In the event Landlord elects to terminate this Lease, Tenant shall have the right within ten (10) days after receipt of such notice to give written notice to Landlord of Tenant's intention to pay the cost of repair of such damage, in which event, following the securitization of Tenant's funding commitment in a form reasonably acceptable to Landlord, this Lease shall continue in full force and effect. Landlord shall make such repairs as soon as reasonably possible, and Tenant shall reimburse Landlord for such repairs within fifteen (15) days after receipt of an invoice from Landlord. If Tenant does not give such notice within the ten (10) day period, this Lease shall terminate automatically as of the Casualty Date.

14.4 Waiver. With respect to any damage or destruction which Landlord is obligated to repair or may elect to repair, Tenant waives all rights to terminate this Lease pursuant to rights otherwise presently or hereafter accorded by law to the extent that such termination by Tenant is inconsistent with the rights and obligations of the parties under this Lease.

14.5 Force Majeure. "Force Majeure," as used in this Section 14 only and shall not apply elsewhere unless otherwise specified, means delays resulting from causes beyond the reasonable control of Landlord, including, without limitation, any delay caused by any action, inaction, order, ruling, moratorium, regulation, statute, condition or other decision of any private party or governmental agency having jurisdiction over any portion of the Project, over the construction anticipated to occur thereon or over any uses thereof, or by delays in inspections or in issuing approvals by private parties or permits by governmental agencies, or by fire, flood, inclement weather, strikes, lockouts or other labor or industrial disturbance (whether or not on the part of agents or employees of Landlord engaged in the construction of the Premises), civil disturbance, order of any government, court or regulatory body claiming jurisdiction or otherwise, act of public enemy, war, riot, sabotage, blockage, embargo, failure or inability to secure materials, supplies or labor through ordinary sources by reason of shortages or priority, discovery of hazardous or toxic materials, earthquake, or other natural disaster, delays caused by any dispute resolution process, or any cause whatsoever beyond the reasonable control (excluding financial inability) of the party whose performance is required or any of its contractors or other representatives, whether or not similar to any of the causes hereinabove stated.

14.6 Substantial Destruction During Last Six (6) Months. In addition, in the event that the Premises or the Building(s) in which the Premises are located is destroyed or damaged to any substantial extent during the last six (6) months of the Term of this Lease, then notwithstanding anything contained in this Article 14, either party hereto shall have the option to terminate this Lease by giving written notice to the other of the exercise of such option within thirty (30) days after the exercising party becomes aware of such damage or destruction, in which event this Lease shall cease and terminate as of the date of such notice.

15. CONDEMNATION

15.1 Entire Leased Premises. Should title or possession of the whole of the Premises be taken by duly constituted authority in condemnation proceedings under the exercise of the right of eminent domain, or should a partial taking render the remaining portion of the Premises impractical for Tenant's intended use as contemplated in this Lease, then this Lease shall terminate upon the vesting of title or taking of possession.

15.2 Partial Taking.

15.2.1 Landlord shall have the right to terminate this Lease by giving thirty (30) days prior written notice to Tenant within thirty (30) days after the nature and extent of the taking is finally determined if any portion of the Premises or the Building and other improvements in which the Premises are situated is taken by eminent domain. If Landlord does not terminate this Lease as provided herein, then this Lease shall remain in full force and effect.

Landlord's Initials  Tenant's Initials 

In such event, Landlord shall promptly make any necessary repairs or restoration at the cost and expense of Landlord, and the Minimum Monthly Rent and Tenant's proportionate share of Landlord's Common Area Expenses from and after the date of the taking shall be reduced in the proportion that the value of the area of the portion of the Premises taken bears to the total value of the Premises immediately prior to the date of such taking or conveyance.

15.2.2 Tenant waives the provisions of Section 1265.130 of the California Code of Civil Procedure permitting a petition by Tenant to the Superior Court to terminate this Lease in the event of a partial taking of the Premises.

15.3 Transfer Under Threat of Condemnation. Any sale or conveyance by Landlord to any person or entity having the power of eminent domain, either under threat of condemnation or while condemnation proceedings are pending, shall be deemed to be a taking by eminent domain under this Article 15.

15.4 Awards and Damages. All payments made on account of any taking by eminent domain shall be made to and retained by Landlord, except that Tenant shall be entitled to make a separate claim to the condemning authority any award to Tenant specifically made by the condemning authority as a result of such separate action (a) for the reasonable removal and relocation costs of any removable property that Tenant has the right to remove, or for loss and damage to any such property that Tenant elects or is required not to remove; and/or (b) for Tenant's loss of goodwill.

15.5 Arbitration. Any dispute concerning the extent to which a taking by condemnation renders the Premises unsuitable for continued occupancy and use by Tenant shall be submitted to arbitration pursuant to Article 42 below.

16. ASSIGNING. SUBLETTING AND HYPOTHECATING

16.1 Landlord's Consent Required. Tenant shall not voluntarily or by operation of law assign, license, franchise, transfer, mortgage, hypothecate, or otherwise encumber all or any part of Tenant's interest in this Lease or in the Premises, and shall not sublet, franchise, change ownership or license all or any part of the Premises with the exception of an Affiliate of Tenant as set forth below, without the prior written consent of Landlord in each instance, which consent shall not be unreasonably withheld, and any attempted assignment, license, franchise, transfer, mortgage, encumbrance, subletting or change of ownership without such consent shall be wholly void, shall confer no rights upon any third parties, and shall at the sole and exclusive option of Landlord terminate this Lease. Without in any way limiting Landlord's right to refuse to give such consent for any other reason or reasons, Landlord reserves the right to refuse to give such consent, and such refusal shall be deemed to be reasonable, if in Landlord's sole but commercially reasonable discretion and opinion:

16.1.1 The proposed new tenant's character, reputation, business, or use is not consistent with the character and quality of the Project;

16.1.2 The financial worth of the proposed new tenant is inadequate as determined by generally accepted industry standards to capitalize the business to be conducted in the Premises;

16.1.3 The credit rating of the proposed new tenant (based on industry standard credit guidelines);

16.1.4 The intended use of the Premises by the proposed new tenant is illegal, conflicts with the Permitted Use, competes with then-existing uses in the Project or violates a then-existing exclusive or an exclusive which Landlord is then negotiating; and/or

16.1.5 The intended alteration of the Premises as a result of the proposed new tenant's use or other requirements is material or substantial.

16.2 Tenant's Application. In the event that Tenant desires at any time to assign this Lease or to sublet the Premises or any portion thereof, Tenant shall submit to Landlord, at least sixty (60) days prior to the proposed "effective date" of the assignment or sublease, in writing: (i) a notice of application to assign or sublease, setting forth the proposed effective date, which shall be no less than sixty (60) or more than one hundred eighty (180) days after the sending of such notice; (ii) the name of the proposed subtenant or assignee; (iii) the nature of the proposed subtenant's or assignee's business to be carried on in the Premises; (iv) the terms and provisions of the proposed sublease or assignment; (v) a current financial statement of the proposed subtenant or assignee; and (vi) such other information as Landlord may reasonably request.

Landlord's Initials  Tenant's Initials 

16.3 Additional Terms Regarding Subletting and Assignment. The following additional terms shall apply to any proposed sublease of the Premises by Tenant:

16.3.1 If Tenant sublets all or a portion of the Premises at a square foot rental rate in excess of Tenant's then-existing rental rate Tenant and Landlord shall split any profits 50/50, after customary subleasing expenses;

16.3.2 In no event shall any proposed subtenant be an existing occupant of any space in the Project or an Affiliate of any such occupant, unless such proposed subtenant, or its Affiliate, is expanding its existing space in the Project and is not otherwise competing with Landlord for any space in the Project (e.g., existing option to renew, pending negotiations, etc.). As used herein, an "Affiliate" means a corporation, partnership, limited liability company, or other business entity that directly or indirectly controls, is controlled by, or is under common control with such occupant;

16.3.3 In no event shall Tenant sublet all or portion of the Premises to a person or entity with whom Landlord or its agents is negotiating or has negotiated within the past six (6) months regarding the lease of space in the Project; and

16.3.4 Tenant shall have the right, without the prior written consent of Landlord, but upon prior written notice to Landlord as set forth below, to assign or sublet all or any portion of its interest in the sublease to an Affiliate (hereinafter defined) so long as (i) the Affiliate delivers to Landlord a written notice of the assignment and an assumption agreement whereby the Affiliate assumes and agrees, jointly and severally with Tenant, to perform observe and abide by all of the terms, conditions, obligations and provisions of the Lease applicable to Tenant and (ii) the entity remains an Affiliate. No subletting or assignment by Tenant made pursuant to this Section shall relieve Tenant of any of its primary obligations under the Lease. As used herein, the term "Affiliate" of Tenant shall mean any other entity which, directly or indirectly, controls, is controlled by or is under common control with Tenant. For this purpose, "control" shall mean the direct or indirect power to vote more than forty-nine percent (49%) of the voting securities of any entity or otherwise to direct the management of any entity. Notwithstanding anything to the contrary in the Master Lease or the Lease, Tenant shall be permitted (without the consent of Landlord or the Master Lessor) to merge, consolidate with, or be acquired by, another entity and/or to sell substantially all of its assets, so long as the surviving entity or the purchaser(s) of substantially all of Tenant's assets assumes all obligations of Tenant under the Lease in accordance with the terms herein.

16.4 Recapture. If Tenant proposes to assign this Lease to a party which is not or which does not propose to operate a permitted use or is not qualified to do so, Landlord may, at its option, exercisable upon written notice to Tenant within thirty (30) days after Landlord's receipt of the notice from Tenant set forth in Section 16.2 above, elect to recapture the Premises and terminate this Lease. If Tenant proposes to sublease all or part of the Premises to a party which does intend to use the Premises for a permitted use, Landlord may, at its option, exercisable upon written notice to Tenant within thirty (30) days after Landlord's receipt of the notice from Tenant set forth in Section 16.2 above, elect to recapture such portion of the Premises as Tenant proposes to sublease and, upon such election by Landlord, this Lease shall terminate as to the portion of the Premises recaptured. In the event a portion only of the Premises is recaptured, the rent payable under this Lease shall be proportionately reduced. If Tenant shall, however, elect to rescind its notice of assignment or sublease, pursuant to written demand to Landlord given within fifteen (15) days after Tenant's receipt of Landlord's notice of recapture, then Landlord shall not have the said right of recapture with respect to the notice so rescinded.

The parties hereto acknowledge and agree that the provisions of this Article are a material inducement for Landlord's execution of this Lease and that Tenant's sole purpose for executing this Lease is to obtain possession of the Premises and not to engage in the business of leasing and/or subleasing commercial space. The parties further acknowledge and agree that Landlord's recapture of the Premises, or any portion thereof, as hereinabove described, shall be deemed to be reasonable and shall not violate or conflict with the provisions of Section 16.1 concerning Landlord's reasonable refusal to consent to a proposed transfer.

If Landlord shall not elect to recapture pursuant to this Section 16.4, and if Landlord shall consent to the proposed assignment or sublease, then Tenant may thereafter enter into the proposed assignment or sublease, provided that (i) such assignment or sublease is executed within ninety (90) days after the date that Landlord shall grant its consent, and (ii) the terms and provisions of the executed assignment or sublease are the same as those presented to Landlord in the notice given by Tenant pursuant to Section 16.2 above.

Landlord's Initials  Tenant's Initials 

BY PLACING THEIR INITIALS BELOW, LANDLORD AND TENANT CERTIFY THAT THIS SECTION 16.4 HAS BEEN FULLY AND FREELY NEGOTIATED.

LANDLORD TENANT

16.5 Fees for Review. In the event that Tenant shall request to assign, transfer, mortgage, pledge, hypothecate or encumber this Lease or any interest therein, or shall sublet the Premises or any part hereof, Tenant shall pay to Landlord a non-refundable fee for Landlord's time and processing efforts and for expenses incurred by Landlord in connection with reviewing such transaction (including any administrative expenses for Landlord's property manager), the amount of such non-refundable fee shall be One Thousand Dollars ($1,000.00). In addition to such fee, Tenant shall pay to Landlord in the event Landlord retains the services of any attorney to review the transaction, all reasonable attorneys' fees incurred by Landlord in connection therewith, but in no event great than One Thousand Dollars ($1,000). Tenant shall pay such nonreimbursable fee and such attorneys' fees to Landlord within ten (10) days after written request therefore and said nonreimbursable fee shall apply even if Landlord does not consent to the proposed transfer.

16.6 Collection. Any rental payments or other sums received from Tenant or any other person in connection with this Lease shall be conclusively presumed to have been paid by Tenant or on Tenant's behalf. Landlord shall have no obligation to accept any rental payments or other sum from any person other than Tenant unless (i) Landlord has been given prior written notice to the contrary by Tenant; and (ii) Landlord has consented to payment of such sums by such person other than Tenant. If this Lease be assigned to, or if the Premises or any part thereof be sublet or occupied by, anybody other than Tenant, Landlord may (but shall not be obligated to) collect rent from the assignee, subtenant or occupant and apply the net amount collected to the rent herein reserved and retain any excess rent so collected, but no such assignment, subletting, occupancy or collection shall be deemed a waiver of Tenant's covenant set forth in the first sentence of Section 16.1 above, nor shall such assignment, subletting, occupancy or collection be deemed an acceptance by Landlord of the assignee, subtenant or occupant as tenant, or a release of Tenant from the further performance by Tenant of covenants on the part of Tenant herein contained.

16.7 Waiver. Notwithstanding any assignment or sublease, or any indulgences, waivers or extensions of time granted by Landlord to any assignee or sublessee, or any failure by Landlord to take action against any assignee or sublessee, Tenant agrees that Landlord may, at its option, proceed against Tenant without having taken action against or joined such assignee or sublessee, provided that Tenant shall have the benefit of any indulgences, waivers and extensions of time granted to any such assignee or sublessee. The subsequent acceptance of rent or other sums hereunder by Landlord shall not be deemed a waiver of any preceding default other than the failure of Tenant to pay the particular rental or other sums, or portion thereof so accepted, regardless of Landlord's knowledge of such preceding default at the time of acceptance of such rent or other sum.

16.8 Assumption of Obligations. Each assignee or transferee, other than Landlord, shall assume all obligations of the Tenant under this Lease and shall be and remain liable jointly and severally with Tenant for the payment of the rent and for the due performance of all the terms, covenants, conditions and agreements herein contained on Tenant's part to be performed, for the term of this Lease. No assignment shall be binding on Landlord unless such assignee shall deliver to Landlord an executed instrument in a form which contains a covenant of assumption by the assignee satisfactory in substance and form to Landlord (the "Assumption Document"). The failure or refusal of the assignee to execute the Assumption Document shall not release or discharge the assignee from its liability, and shall provide Landlord with an option to terminate said assignment.

16.9 No Release. No assignment, including pursuant to Section 16.3.4 above, or subletting shall affect the continuing primary liability of Tenant hereunder (which, following such assignment or subletting, shall be joint and several with the assignee or subtenant), and Tenant shall not be released from performing any of the terms, covenants and conditions of this Lease. Notwithstanding the foregoing, if Tenant assigns the Lease to an entity that has a greater net worth than Tenant at the time of the assignment, Tenant shall be relieved of all liability under this Lease.

16.10 Implied Assignment. If the Tenant hereunder is a corporation or limited liability company which, under the then current laws of the state where the Project is situated, is not deemed a public corporation, limited liability company or is an unincorporated association or

Landlord's Initials _____ Tenant's Initials _____

partnership, the transfer, assignment or hypothecation of any stock or interest in such corporation or limited liability company, association or partnership in the aggregate in excess of forty-nine percent (49%) or more shall be deemed an assignment within the meaning and provisions of this Article 16. If Tenant shall select or appoint some person or entity other than Tenant to manage and control the business conducted in the Premises, and the result thereof shall be substantially similar to the result of a sublease or assignment, then such selection or appointment shall be deemed an assignment within the meaning and provisions of this Article 16.

16.11. Remedies Against Landlord. Tenant's remedy for any breach of this Article 16 by Landlord shall be limited to injunctive relief.

17. DEFAULT

17.1 Events of Defaults. The occurrence of any of the following events shall, at Landlord's option, constitute an "Event of Default":

17.1.1 Intentionally omitted;

17.1.2 Failure to pay Rent on the date when due and the failure continuing for a period of five (5) business days after such payment is due;

17.1.3 Failure to perform Tenant's covenants and obligations hereunder (except default in the payment of Rent) where such failure continues for a period of thirty (30) days after written notice from Landlord; provided, however, if the nature of the default is such that more than thirty (30) days are reasonably required for its cure, Tenant shall not be deemed to be in default if Tenant commences the cure within the thirty (30) day period and diligently and continuously prosecutes such cure to completion;

17.1.4 The making of a general assignment by Tenant for the benefit of creditors; the filing of a voluntary petition by Tenant or the filing of an involuntary petition by any of Tenant's creditors seeking the rehabilitation, liquidation or reorganization of Tenant under any law relating to bankruptcy, insolvency or other relief of debtors and, in the case of an involuntary action, the failure to remove or discharge the same within sixty (60) days of such filing; the appointment of a receiver or other custodian to take possession of substantially all of Tenant's assets or this leasehold; Tenant's insolvency or inability to pay Tenant's debts or failure generally to pay Tenant's debts when due; any court entering a decree or order directing the winding up or liquidation of Tenant or of substantially all of Tenant's assets; Tenant taking any action toward the dissolution or winding up of Tenant's affairs; the cessation or suspension of Tenant's use of the Premises; or the attachment, execution or other judicial seizure of substantially all of Tenant's assets or this leasehold;

17.1.5 The making of any material misrepresentation or omission by Tenant or any successor in interest of Tenant in any materials delivered by or on behalf of Tenant to Landlord or Landlord's lender pursuant to this Lease;

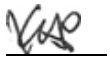
17.1.6 The occurrence of an Event of Default set forth in Section 17.1.4 or 17.1.5 with respect to any guarantor of this Lease, if applicable;

17.1.7 The occurrence of an Event of Default as otherwise designated as an Event of Default in the Lease.

17.2 Remedies.

17.2.1 Termination. In the event of an occurrence of any Event of Default, per Section 17.1 of this Lease, and after any applicable cure period under California state law and as provided under this Lease, Landlord shall have the right to give a written termination notice to Tenant (which notice may be the notice given under Section 17.1 above, if applicable and which notice shall be in lieu of any notice required by the California Code of Civil Procedure Section 1161, et seq.) and, on the date specified in such notice, this Lease shall terminate unless on or before such date all arrears of Rent and all other sums payable by Tenant under this Lease and all costs and expenses incurred by or on behalf of Landlord hereunder shall have been paid by Tenant and all other Events of Default at the time existing shall have been fully remedied to the satisfaction of Landlord.

17.2.1(A) Repossession. Following termination, without prejudice to other remedies Landlord may have, Landlord may (i) peaceably re-enter the Premises upon voluntary surrender by Tenant or remove Tenant therefrom and any other persons occupying the Premises, using such legal proceedings as may be available; (ii) repossess the Premises or relet the Premises or any part thereof for such term (which may be for a term extending beyond the Term), at such rental and upon such other terms and conditions as Landlord in Landlord's sole and reasonable discretion shall determine, with the right to make reasonable alterations and repairs to the Premises; and (iii) remove all personal property therefrom.

Landlord's Initials  Tenant's Initials 

17.2.1(B) Unpaid Rent. Landlord shall have all the rights and remedies of a landlord provided by applicable law, including the right to recover from Tenant: (i) the worth, at the time of award, of the unpaid Rent that had been earned at the time of termination; (ii) the worth, at the time of award, of the amount by which the unpaid Rent that would have been earned after the date of termination until the time of award exceeds the amount of loss of rent that Tenant proves could have been reasonably avoided; (iii) the worth, at the time of award, of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of the loss of rent that Tenant proves could have been reasonably avoided; and (iv) any other amount, and court costs, necessary to compensate Landlord for all detriment proximately caused by Tenant's default. The phrase "worth, at the time of award," as used in (i) and (ii) above, shall be computed at the Applicable Interest Rate, and as used in (iii) above, shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

17.2.2 Continuation. Even though an Event of Default may have occurred, this Lease shall continue in effect for so long as Landlord does not terminate Tenant's right to possession; and Landlord may enforce all of Landlord's rights and remedies under this Lease, including the remedy described in California Civil Code Section 1951.4 ("lessor" may continue Lease in effect after "lessee's" breach and abandonment and recover rent as it becomes due, if "lessee" has the right to sublet or assign, subject only to reasonable limitations) to recover Rent as it becomes due. Landlord, without terminating this Lease, may, during the period Tenant is in default, enter the Premises and relet the same or any portion thereof to third parties for Tenant's account, and Tenant shall be liable to Landlord for all costs Landlord incurs in reletting the Premises, including, without limitation, brokers' commissions, expenses of remodeling the Premises and like costs. Reletting may be for a period shorter or longer than the remaining Term. Tenant shall continue to pay the Rent on the date the same is due. No act by Landlord hereunder, including acts of maintenance, preservation or efforts to lease the Premises or the appointment of a receiver upon application of Landlord to protect Landlord's interest under this Lease, shall terminate this Lease unless Landlord notifies Tenant that Landlord elects to terminate this Lease. In the event that Landlord elects to relet the Premises, the rent that Landlord receives from reletting shall be applied to the payment of, first, any indebtedness from Tenant to Landlord other than Base Rent and Tenant's Share of Operating Expenses and Real Property Taxes; second, all costs, including maintenance, incurred by Landlord in reletting; and, third, Base Rent and Tenant's Share of Operating Expenses and Real Property Taxes under this Lease. After deducting the payments referred to above, any sum remaining from the rental Landlord receives from reletting shall be held by Landlord and applied in payment of future Rent as Rent becomes due under this Lease. In no event, and notwithstanding anything in Section 16 to the contrary, shall Tenant be entitled to any excess rent received by Landlord. If on the date Rent is due under this Lease, the rent received from the reletting is less than the Rent due on that date, Tenant shall pay to Landlord, in addition to the remaining Rent due, all costs, including maintenance, which Landlord incurred in reletting the Premises that remain after applying the rent received from reletting as provided hereinabove. So long as this Lease is not terminated, Landlord shall have the right to remedy any default of Tenant, to maintain or improve the Premises, to cause a receiver to be appointed to administer the Premises and new or existing subleases and to add to the Rent payable hereunder all of Landlord's reasonable costs in so doing, with interest at the Applicable Interest Rate from the date of such expenditure.

17.3 Cumulative. Each right and remedy of Landlord provided herein or now or hereafter existing at law, in equity, by statute or otherwise shall be cumulative and shall not preclude Landlord from exercising any other rights or remedies provided in this Lease or now or hereafter existing at law or in equity, by statute or otherwise. No payment by Tenant of a lesser amount than the Rent nor any endorsement on any check or letter accompanying any check or payment as Rent shall be deemed an accord and satisfaction of full payment of Rent; and Landlord may accept such payment without prejudice to Landlord's right to recover the balance of such Rent or to pursue other remedies.

18. INTENTIONALLY OMITTED

19. LANDLORD'S AND TENANT'S RIGHT TO CURE DEFAULTS

Landlord, at any time after Tenant commits a default in the performance of any of Tenant's obligations under this Lease, shall be entitled to cure such default, or to cause such default to be cured, at the sole cost and expense of Tenant provided Tenant fails to cure such default within the appropriate notice period set forth in Section 17.2. If, by reason of any said default by Tenant, Landlord incurs any expense or pays any sum, or performs any act requiring Landlord to incur any expense or to pay any sum, including reasonable fees and expenses paid or incurred by Landlord in order to prepare and post or deliver any notice permitted or required

Landlord's Initials  Tenant's Initials 

by the provisions of this Lease or otherwise permitted or contemplated by law, then the amount so paid or incurred by Landlord shall be immediately due and payable to Landlord by Tenant as additional rent. Tenant hereby authorizes Landlord to deduct said sums from any security deposit held by Landlord. If there is no security deposit, or if Landlord elects not to use any such security deposit, then such sums shall be paid by Tenant immediately upon demand by Landlord, and shall bear interest at the then existing federal reserve discount rate in San Francisco plus two percent (2%) per annum from the date of such demand until paid in full.

Landlord shall not be deemed to be in default in the performance of any obligation under this Lease, and Tenant shall have no rights to take any action against Landlord, unless and until Landlord has failed to perform the obligation within thirty (30) days after written notice by Tenant to Landlord specifying in reasonable detail the nature and extent of the failure; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for its performance, then Landlord shall not be deemed to be in default if it commences performance within the thirty (30) day period and thereafter diligently pursues the cure to completion. In the event that Landlord fails to perform the obligation within thirty (30) days after written notice by Tenant to Landlord, or if having commenced such performance, Landlord does not diligently pursue it to completion, then Tenant may elect to cure said default Landlord's expense. Tenant shall document the actual and reasonable costs incurred by Tenant to perform such cure, and supply said documentation to Landlord with a written request for reimbursement, and Landlord shall reimburse Tenant for all such costs within thirty (30) days after receipt of such request for reimbursement, with interest at the Lease Interest Rate accruing from the date Tenant incurred such costs. In the event Owner fails to reimburse Tenant within such thirty (30) day period, Tenant may offset such reimbursement amount from amounts to be paid by Tenant to Landlord hereunder.

20. WAIVER OF BREACH; ACCORD AND SATISFACTION

Any waiver by any party hereto of any breach by any party of any covenant or provision of this Lease shall be effective only if in writing and signed by the waiving party and shall not be, nor be construed to be, a waiver of any subsequent breach of the same or any other term or provision hereof. Landlord's receipt and deposit of a partial payment from Tenant of any sum due hereunder shall not constitute a waiver by Landlord of the right to require payment of the balance due, nor constitute an accord or satisfaction of Tenant's obligation, unless expressly agreed by Landlord in writing.

21. SUBORDINATION; ESTOPPEL

21.1 Subordination and Attornment. Tenant covenants and agrees that, within ten (10) business days from Landlord's written request, it will execute without further consideration instruments reasonably requested by Landlord or Landlord's mortgagee subordinating this Lease in the manner requested by Landlord to all ground or underlying leases and to the lien of any mortgage and/or any deed of trust or other encumbrance which may now or hereafter affect the Premises and/or the Project, or any portion thereof, together with all renewals, modifications, consolidations, replacements or extensions thereof; provided that any lienor or encumbrancer relying on such subordination or such additional agreements will covenant with Tenant that this Lease shall remain in full force and effect, and Tenant shall not be disturbed in the event of sale, foreclosure or other actions so long as Tenant is not in default hereunder. Tenant agrees to attorn to the successor in interest of Landlord following any transfer of such interest either voluntarily or by operation of law and to recognize such successor as Landlord under this Lease. However, if Landlord or any such ground lessor or mortgagee so elects, this Lease shall be deemed prior in lien to any ground lease, mortgage, deed of trust or other encumbrance upon or including the Premises regardless of date of recording, and Tenant will execute a statement in writing to such effect at Landlord's request.

21.2 Assignment. In the event that any mortgagee or its respective successor in title shall succeed to the interest of Landlord hereunder, the liability of such mortgagee or successor shall exist only so long as it is the owner of the Premises or any interest therein, or is the tenant under any ground or underlying lease referred to in Section 21.1 above. No additional rent or any other charge shall be paid more than ten (10) days prior to the due date thereof and payments made in violation of this provision shall (except to the extent that such payments are actually received by a mortgagee) be a nullity as against any mortgagee and Tenant shall be liable for the amount of such payments to such mortgagee.

21.3 Conditions for Tenant's Termination. No act or failure to act on the part of Landlord which would entitle Tenant under the terms of this Lease, if any, or by law, to be relieved of Tenant's obligations hereunder or to terminate this Lease, shall result in a release or termination of such obligations or a termination of this Lease unless (i) Tenant shall have first

given written notice of Landlord's act or failure to act to Landlord's mortgagees of record, if any, specifying the act or failure to act on the part of Landlord which could or would give basis to Tenant's rights, and (ii) such mortgagees, after receipt of such notice, have failed or refused to correct or cure the condition complained of within a "reasonable time" thereafter; but nothing contained in this Section 21.3 shall be deemed to impose any obligation on any such mortgagee to correct or cure any such condition. "Reasonable time" as used above means and includes a reasonable time to obtain possession of the mortgaged premises if the mortgagee elects to do so, and a reasonable time to correct or cure the condition if such condition is determined to exist.

21.4 Estoppel Certificates. Within ten (10) business days after written request by Landlord, Tenant shall execute and deliver to Landlord an estoppel statement in the form of Exhibit L attached hereto and incorporated herein by this reference, or in such other form as Landlord may reasonably request, or as a prospective purchaser or encumbrancer of the Premises or Project may reasonably request. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Premises or of all or any portion of the Project. Tenant's failure to deliver such statement within ten (10) business days of Landlord's written request therefor shall constitute the irrevocable, binding agreement of Tenant (i) that this Lease is in full force and effect, without modification except as may be represented by Landlord, (ii) that there are no uncured defaults in Landlord's performance hereunder, (iii) that not more than one monthly installment of the Minimum Monthly Rent has been paid in advance, and (iv) that any terms or conditions of such estoppel certificate as may be required by a prospective purchaser or encumbrancer of the Premises are satisfied and agreed to by the parties. Further, such failure to deliver such certificate (showing any exceptions to any of the statements of fact required thereby) shall constitute a material breach of this Lease. Notwithstanding the foregoing, Tenant shall also have the right to request an estoppel from Landlord in a form as Tenant may reasonably request.

22. SIGNS AND ADVERTISING (*Continued on Exhibit I attached hereto*)

Tenant shall have the right, at Tenant's sole cost and expense, to install, place and maintain a new sign to display its trade name at a location approved by Landlord, which sign shall conform to the reasonable requirements of Landlord as outlined in Exhibit I hereto, and all governmental agencies having jurisdiction as to size and format. Except as required above, Tenant shall not erect or install any exterior signs or window or door signs, or window or door lettering or placards, or any other advertising media visible from the common areas (whether on or up to twenty-four [24] inches behind the windows), without obtaining Landlord's prior written consent in each instance, which consent shall not be unreasonably withheld. Tenant shall not install any exterior decoration, banner or painting, or build any fences, or install any radio or television antennae, loud speakers, sound amplifiers or similar devices on the roof or exterior walls of the Premises, or make any material changes to the improvements within the Premises visible from any portion of the common area of the Project without Landlord's prior written consent in each instance, which consent shall not be unreasonably withheld. Landlord may, in its discretion, require Tenant to procure material, payment and/or performance bonds from Tenant's sign contractor, as a condition to granting its consent. As used in this Article 22, Landlord's refusal to consent to certain signage or other media shall be deemed to be reasonable if such signage or other media shall not conform to Landlord's sign criteria set forth in Exhibit I attached hereto. Landlord's failure to approve Tenant's signage proposal within five (5) business days after Tenant's request therefor shall be deemed a disapproval. Tenant agrees and covenants to comply with all of Landlord's sign criteria as set forth in Exhibit I attached hereto and the rules and regulations promulgated by the responsible governmental authorities. Landlord shall have the right from time to time to promulgate amendments thereto and additional and new sign criteria. After delivery of a copy of such amendments and additional and new sign criteria, Tenant shall cause all signage thereafter installed to comply therewith. A violation of any of such sign criteria shall constitute a default by Tenant under this Lease. If there is a conflict between the said sign criteria and any of the provisions of this Lease, the provisions of this Lease shall prevail. Landlord's approval of Tenant's preliminary plans, specifications and sign design shown therein shall constitute Landlord's initial approval of Tenant's signs. No freestanding sign shall be allowed on the Premises.

23. RIGHTS RESERVED TO LANDLORD

23.1 Right of Entry. Landlord reserves to itself and shall at any and all times have the right, upon forty-eight (48) hours' prior notice to Tenant, to enter the Premises, at reasonable times, to inspect the same, to display the Premises to prospective purchasers or tenants, to post and maintain any notice deemed necessary by Landlord for the protection of its interest (including, without limitation, notices of nonresponsibility), to repair the Premises or any other portion of the Project, and to install, use, maintain and replace equipment, machinery, pipes,

conduits and wiring throughout, beneath or above the Premises, which serve other parts of the Project, if any; all without being deemed guilty of any eviction of Tenant and without abatement of rent; and Landlord may, in order to carry out such purposes, erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed, and keep and store upon the Premises all tools, materials and equipment necessary for such purposes, provided that the business of Tenant shall be interfered with as little as is reasonably practicable. With respect to the exercise of such rights and the carrying on of such activities by Landlord or any agent, contractor or employee of Landlord, except for their gross negligence or intentionally wrongful acts, Tenant hereby waives any claim for damages for any injury to property or person or any injury or inconvenience to or interference with Tenant's business, for any loss of occupancy or quiet enjoyment of the Premises, or for any other loss occasioned thereby; and Tenant hereby releases Landlord, its agents, contractors and employees, except for their gross negligence or intentionally wrongful acts, from any and all claims for such damages or loss. Landlord shall have the right to use any and all means which Landlord may deem proper to open doors to the Premises in an emergency in order to obtain entry, and any entry to the Premises obtained by Landlord by any of such means, or otherwise, shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of, or an eviction of Tenant from, the Premises or any portion thereof, and any damages caused on account thereof shall be paid by Tenant. In addition, in an emergency situation Landlord shall only be required to give Tenant prior notice if and to the extent reasonable under the circumstances.

23.2 Additional Rights of Landlord. Landlord further reserves to itself and shall at any and all times have the right:

23.2.1 To change the street address of the Premises and/or the name or street address of the Project;

23.2.3 To install and maintain signs in the Project at such locations as Landlord shall deem advisable, other than within the Premises;

23.2.4 To decorate, remodel, alter or otherwise repair the Premises for reoccupancy during the last six (6) months of the term hereof if, during or prior to such time, Tenant has vacated the Premises;

23.2.5 To grant to anyone the exclusive right to conduct any business or render any service in the Project, provided such exclusive right shall not operate to completely exclude Tenant from the use expressly permitted by this Lease; and

23.2.6 To effect such other tenancies in the Project as Landlord in the exercise of its sole business judgment shall determine to best promote the interests of the Project. Tenant does not rely on the fact nor does Landlord represent that any specific tenant or number of tenants shall, or shall not, during the term of this Lease occupy any space in the Project.

24. SALE OR TRANSFER OF PREMISES; LANDLORD'S RIGHT TO MORTGAGE

24.1 Sale or Transfer by Landlord. If Landlord sells or transfers all or any portion of the Premises, or the Building, improvements and land of which the Premises are a part, then Landlord, on consummation of the sale or transfer, shall be released from any liability thereafter accruing under the Lease. If any security deposit or prepaid rent has been paid by Tenant, Landlord shall transfer the security deposit or prepaid rent to Landlord's successor and on such transfer Landlord shall be discharged from any further liability with respect thereto.

24.2 Landlord's Right to Mortgage. Landlord shall have the right to cause this Lease to be and become and remain subject and subordinate to any mortgages or deeds of trust which may hereafter be executed covering the Project or the Premises, the real property thereunder, or any portion thereof, for the full amount of all advances made or to be made thereunder and without regard to the time of character of such advance, together with interest thereon, and subject to all the terms and provisions thereof; provided that Landlord or the holder of the security interest will recognize Tenant's rights under this Lease.

25. SURRENDER; WAIVER OF REDEMPTION; HOLDING OVER

25.1 Surrender of Premises. Tenant shall have no obligation to remove any alterations, additions, improvements, or changes made to the Premises after the Commencement Date, unless specifically stated in Landlord's consent, at the expiration or early termination of the Lease. Tenant shall have no right or obligation to remove any of Landlord's Work or any other alterations, additions, improvements, or changes made by or on behalf of Landlord at the Premises. Tenant shall surrender to Landlord the Premises and all alterations and additions thereto broom clean and in good order, repair and condition (except for ordinary wear and tear). Tenant shall remove all personal property and trade fixtures prior to the

expiration of the Term, including any signs, notices and displays placed by Tenant. Tenant shall perform all reasonably necessary restoration, including, without limitation, restoration made reasonably necessary by the removal of Tenant's personal property or trade fixtures prior to the expiration or termination of this Lease. Tenant shall have no obligation to change the character of or possible uses for the Building. Landlord can elect to retain or dispose of, in any manner, any alterations, utility installations, trade fixtures or personal property that Tenant does not remove from the Premises on expiration or termination of the Lease term as allowed or required by this Lease. Title to any such alterations, utility installations, trade fixtures or personal property that Landlord elects to retain or dispose of on expiration of the Lease term shall automatically vest in Landlord. Tenant waives all claims against Landlord for any damage to Tenant resulting from Landlord's retention or disposition of any such alterations, utility installations, trade fixtures or personal property. Tenant shall be liable to Landlord for Landlord's costs for storing, removing and disposing of any alterations, utility installations, trade fixtures or personal property and shall indemnify and hold Landlord harmless from the claim of any third party to an interest in such alterations, utility installations, trade fixtures or personal property.

25.2 Holding Over. Tenant shall have no legal right to holdover. If Tenant holds over the Premises or any part thereof after expiration of the term of this Lease, such holding over shall, at Landlord's option, constitute a month-to-month tenancy, at a rent equal to one hundred twenty-five percent (125%) of the Minimum Monthly Rent in effect immediately prior to such holding over and shall otherwise be on all the other terms and conditions of this Lease. Landlord's acceptance of any payment provided hereunder shall not be construed as Landlord's permission for Tenant to hold over. Acceptance of rent by Landlord following expiration or termination shall not constitute a renewal of this Lease or extension of the Lease term except as specifically set forth above. If Tenant fails to surrender the Premises upon expiration or earlier termination of this Lease, Tenant shall indemnify and hold Landlord harmless from and against all loss or liability resulting or arising out of Tenant's failure to surrender the Premises, including, but not limited to, any amounts required to be paid to any tenant or prospective tenant who was to have occupied the Premises after the expiration or earlier termination of this Lease and any related attorney's fees and brokerage commissions.

26. HAZARDOUS MATERIALS

26.1 Definitions.

26.1.1 Hazardous Material. Hazardous Material means any substance:

(i) the presence of which requires investigation or remediation under any federal, state or local statute, regulation, ordinance, order, action, policy, or common law; or

(ii) which is or becomes defined as a "hazardous waste", "hazardous substance", "hazardous materials", "toxic substances", pollutant, or contaminant under any federal, state, or local statue, regulation, rule, or ordinance or amendments thereto including, without limitation, the Federal Water Pollution Control Act (33 U.S.C. Section 1251, et seq.), Resource Conversation & Recovery Act (42 U.S.C. Section 6901 et seq.), Safe Drinking Water Act (42 U.S.C. Section 300(f) et seq.), Toxic Substances Control Act (15 U.S.C. Section 2601 et seq.), the Clean Air Act (42 U.S.C. Section 7401 et seq.), Comprehensive Environmental Response of Compensation and Liability Act (42 U.S.C. Section 9601 et seq.), California Health & Safety Code (Sections 25100 et seq. and 39000 et seq.), California Water Code (Section 13000 et seq.), and other comparable state laws relating to industrial hygiene, environmental protection or the use, analysis, generation, manufacture, storage, disposal or transportation of Hazardous Materials; or

(iii) which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic, or otherwise hazardous and is or becomes regulated by any governmental authority, agency, department, commission, board, agency, or instrumentality of the United States, the State of California or any political subdivision thereof.

26.1.2 Environmental Requirements. Environmental Requirements means all applicable present and future statutes, regulations, rules, ordinances, codes, licenses, permits, orders, approvals, plans, authorizations, concessions, franchises, and similar items, of all government agencies, departments, commissions, boards, bureaus, or instrumentalities of the United States, states, and political subdivisions thereof and all applicable judicial, administrative, and regulatory decrees, judgments, and orders relating to the protection of human health or the environment, including, without limitation: (a) all requirements, including but not limited to those pertaining to reporting, licensing, permitting, investigation, and remediation of emissions, discharges, releases, or threatened releases of Hazardous Materials, chemical substances, pollutants, contaminants, or hazardous or toxic substances, materials or wastes whether solid, liquid, or gaseous in nature, into the air, surface water, groundwater, or

land, relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of chemical substances, pollutants, contaminants, or hazardous or toxic substances, materials, or wastes, whether solid, liquid, or gaseous in nature; and (b) all requirements pertaining to the protection of the health and safety of employees or the public.

26.1.3 Environmental Damages. Environmental Damages means all claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability), encumbrances, liens, costs, and expenses of investigation and defense of any claim, whether or not such claim is untimely defeated, and of any good faith settlement of judgment, of whatever kind or nature, contingent or otherwise, matured or unmatured, foreseeable or unforeseeable, including without limitation reasonable attorneys' fees and disbursements and consultants' fees, any of which are incurred at any time as a result of Tenant's use, storage, or disposal of Hazardous Materials on the Premises or the existence of a violation of Environmental Requirements on the Premises, and including without limitation: (a) damages for personal injury, or injury to property or natural resources occurring upon or off of the Premises, foreseeable or unforeseeable, including, without limitation, lost profits, consequential damages, the cost of demolition and rebuilding of any improvements on real property, interest and penalties including but not limited to claims brought by or on behalf of employees of Tenant with respect to which Tenant waives any immunity to which it may be entitled under any industrial or worker's compensation laws; (b) fees incurred for the services of attorneys, consultants, contractors, experts, and laboratories and all other costs incurred in connection with the investigation or remediation of such Hazardous Materials in violation of Environmental Requirements including, but not limited to, the preparation of any feasibility studies or reports or the performance of any cleanup, remediation, removal, response, abatement, containment, closure, restoration, or monitoring work required by any federal, state, or local governmental agency or political subdivision, or reasonably necessary to make full economic use of the Premises or any other property in a manner consistent with its current use or otherwise expended in connection with such conditions, and including without limitation any attorneys' fees, costs, and expenses incurred in enforcing this Lease or collection of any sums due hereunder; (c) liability to any third person or government agency to indemnify such person or agency for costs expended in connection with the items referenced above; and (d) diminution in the value of the Premises, and damages for the loss of business and restriction on the use of or adverse impact on the marketing of rentable or usable space or of any amenity of the Premises.

26.2 Prohibited Uses. Tenant shall not cause or give permission for the use (except for minimal quantities of any substance which technically could be considered a Hazardous Material provided (i) such substance is of a type normally used by Tenant, and (ii) Tenant complies with all legal requirements applicable to such Hazardous Material) of any substances, materials or wastes subject to regulation under legal requirements from time to time in effect concerning hazardous, toxic or radioactive materials, on or about the Premises, unless Tenant shall have received Landlord's prior written reasonable consent.

26.3 Obligation to Indemnify, Defend, and Hold Harmless. Tenant and its successors, assigns and guarantors, agreed to indemnify, defend, reimburse, and hold harmless (a) Landlord and its agents, successors and assigns, (b) any other person who acquires a portion of the Premises in any manner, including but not limited to the purchase, at a foreclosure sale or otherwise through the exercise of the rights and remedies of Landlord under this agreement, and (c) the directors, officers, shareholders, employees, partners, agents, contractors, subcontractors, experts, licensees, affiliates, lessees, mortgagees, trustees, heirs, devisees, successors, assigns, and invitees of such persons, from and against any and all Environmental Damages arising from the presence of Hazardous Materials used, stored, disposed of or brought upon, about, or beneath the Premises by Tenant, or Tenant's agents, contractors, vendors or invitees (collectively the "Tenant Parties") or any such Hazardous Materials migrating from the Premises, or arising in any manner as a result of the Tenant Parties' violation of any Environmental Requirements and the Tenant Parties' activities thereon, unless to the extent such Environmental Damages exist as a direct result of the negligence or willful misconduct of Landlord.

Tenant's obligation hereunder shall include, but not be limited to, the burden and expense of defending all claims, suits, and administrative proceedings (with counsel reasonably approved by Landlord), conducting all negotiations of any description, and paying and discharging, when and as the same become due, any and all judgments, penalties or other sums due against such indemnified persons and to remediate the Premises pursuant to Section 26.4 below. Landlord at its sole expense may employ additional counsel of its choice to associate with counsel representing Tenant. Notwithstanding anything contained herein to the contrary, Tenant shall in no event be held liable or responsible (including without limitation, for the removal or encapsulation thereof) for any Hazardous Materials migrating from the Premises or existing in or upon the Premises prior to the date Tenant accepts possession of the same.

Landlord's Initials  Tenant's Initials 

Tenant's obligations hereunder shall survive the expiration or earlier termination of this Lease, the discharge of all other obligations owned by the parties to each other, and any transfer of title to the Premises (whether by sale, foreclosure, deed in lieu of foreclosure or otherwise).

The obligations of Tenant under this paragraph shall not apply to any Environmental Damages, the violation of any Environmental Requirements or the presence of any Hazardous Material to the extent that such condition or event arose or existed prior to the effective date of this Lease, migrated onto the Premises prior to or after the effective date of this Lease through no violation of Environmental Requirements by Tenant or its agents, or was not caused by Tenant, Tenant's agents, employees or invitees. As a result of any pre-existing Environmental Damages or the presence of any Hazardous Materials prior to the date Tenant accepts possession of the Premises, in the event any legal requirement or governmental entity requires the Premises to be inspected, tested or surveyed for the presence of any Hazardous Materials prior to or during Tenant's occupancy of the Premises, Landlord, at its sole cost and expense, shall perform such required activities.

26.4 Obligation to Remediate. Pursuant to Section 26.3 of the Lease, Tenant shall, upon demand of Landlord, and at its sole cost and expense, promptly take all actions to remediate the Premises which are required by any federal, state, or local government agency or political subdivision or which are reasonably necessary to mitigate Environmental Damages for which Tenant is obligated above. Such actions shall include, but not be limited to, the investigation of the environmental condition of the Premises, the preparation of any feasibility studies, reports, or remedial plans, and the performance of any cleanup, remediation, containment, operations, maintenance, monitoring, or restoration work, whether on or off the Premises. Tenant shall further take all actions necessary to restore the Premises to a substantially similar condition existing prior to Tenant's introduction of Hazardous Material upon, about or beneath the Premises, notwithstanding any lesser standards of remediation allowed under applicable law or governmental policies. All such work shall be performed by one or more contractors, selected by Tenant and reasonably approved in advance and in writing by Landlord. Tenant shall proceed continuously and diligently with such investigatory and remedial actions, provided that in all cases such actions shall be in accordance with all applicable requirements of government entities. Any such actions shall be performed in a good, safe, and workmanlike manner and shall minimize any impact on the businesses conducted on the Premises and/or those businesses conducted at the Project. Tenant shall pay all costs in connection with such investigatory and remedial activities, including but not limited to all power and utility costs, and any and all taxes or fees that may be applicable to such activities. Tenant shall promptly provide to Landlord copies of testing results and reports that are generated in connection with the above activities and that are submitted to any government entity. Promptly upon completion of such investigation and remediation, Tenant shall permanently seal or cap all monitoring wells and test holes to industrial standards in compliance with applicable federal, state, and local laws and regulations, remove all associated equipment, and restore the Premises which shall include, without limitation, the repair of any surface damage, including paving, caused by such investigation or remediation hereunder. Within thirty (30) days of demand therefor, Tenant shall provide Landlord with a bond, letter of credit, or similar financial assurance evidencing that the necessary funds are available to perform the obligation established by this paragraph.

26.5 Notification. If Tenant shall become aware of or receives notice of any actual, alleged, suspected, or threatened violation of Environmental Requirements, or liability of Tenant for Environmental Damages in connection with the Premises or past or present activities of any person thereon, including but not limited to notice or other communication concerning any actual or threatened investigation, inquiry, lawsuit, claim, citation, directive, summons, proceeding, complaint, notice, order, writ, or injunction, relating to same, then Tenant shall deliver to Landlord, within ten (10) days of the receipt of such notice or communication by Tenant, a written description of said violation, liability, correcting information, or actual threatened event or condition, together with copies of any documents evidencing same. Receipt of such notice shall not be deemed to create any obligation on the part of Landlord to defend or otherwise respond to any such notification.

26.6 Termination of Lease. Upon the expiration or earlier termination of the Lease term, Tenant shall surrender possession of the Premises to Landlord free of contamination attributable to Hazardous Materials that are in excess of concentrations permitted by any applicable Environmental Requirements and that Tenant is obligated to remediate pursuant to Section 26.3 above. Tenant shall further take all actions necessary to restore the Premises to a substantially similar condition existing prior to Tenant's introduction of Hazardous Material upon, about or beneath the Premises, notwithstanding any lesser standards of remediation allowed under applicable law or governmental policies. In addition to all other remedies available to Landlord hereunder, Tenant expressly agrees that even though Tenant's right of occupancy

Landlord's Initials _____ Tenant's Initials _____

shall have terminated, Tenant shall remain liable to pay Landlord an amount per month (or a pro rata portion thereof) equal to one hundred twenty-five percent (125%) of the Minimum Monthly Rent in effect for the month immediately preceding the month of expiration or earlier termination (less any amounts received by Landlord from any other occupant of the Premises during this period), until Tenant shall have surrendered possession of the Premises to Landlord free of any such Hazardous Materials.

26.7 Toxic Substances Disclosure. The parties acknowledge the obligation of Tenant to advise Landlord concerning Hazardous Materials located upon the Premises pursuant to the provisions of California Health and Safety Code Section 25359.7. The parties hereby agree that this Section 26.7 constitutes the notice required pursuant to said statute and Landlord hereby waives its right to further notice pursuant to such statute to the extent described herein. The parties acknowledge that Tenant shall maintain and use certain substances upon the Premises which may be classified as "hazardous substances" to clean and maintain the Premises. The parties acknowledge that the use of any of such substances which may be a "hazardous substance" within the scope of Health and Safety Code Section 25359.7 shall not constitute a breach of this Lease and shall require no further notice from Tenant. Tenant agrees, however, that the use of other Hazardous Materials upon the Premises is not subject to the terms of this notice and waiver and Tenant shall be obligated to report the existence of such other Hazardous Materials pursuant to the requirements of Health and Safety Code Section 25359.7.

26.8 Landlord's Warranty. To the best of Landlord's knowledge, Landlord represents and warrants that no Environmental Damages, violations of any Environmental Requirements or the presence of any Hazardous Material exist with respects to the Premises.

27. INTENTIONALLY OMITTED

28. WRITTEN NOTICES

Whenever under this Lease a provision is made for any demand, notice or declaration of any kind or where it is deemed desirable or necessary by either party to give or serve any such notice, demand or declaration to the other, it shall be in writing and (i) served personally, (ii) sent by registered or certified mail, return receipt requested, with postage prepaid, or (iii) sent by a private overnight express carrier, addressed to Tenant or Landlord, as the case may be, at the notice address specified for each in the Basic Provisions. Either party may by like notice at any time and from time to time designate a different address to which notices shall be sent. Mailed notices shall be effective upon the earlier of (a) actual receipt as evidenced by the return-receipt or (b) three (3) days after mailing. Notices sent by overnight carrier shall be effective as of the next business day. Notices personally served shall be effective immediately upon delivery.

29. JOINT AND SEVERAL LIABILITY

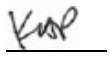
Each person or entity named as a Tenant in this Lease, or who hereafter becomes a party to this Lease as a tenant in the Premises, or as a permitted assignee or subtenant of Tenant, shall be jointly and severally liable for the full and faithful performance of each and every covenant and obligation required to be performed by Tenant under the provisions of this Lease.

30. BINDING ON SUCCESSORS, ETC.

Landlord and Tenant agree that each of the terms, conditions, and obligations of this Lease shall extend to and bind, or inure to the benefit of (as the case may require), the respective parties hereto, and each of their respective heirs, executors, administrators, representatives, and permitted successors and assigns.

31. ATTORNEYS' FEES

In the event that any legal action is instituted by either of the parties hereto to enforce or construe any of the terms, conditions or covenants of this Lease, or the validity thereof, the party prevailing in any such action shall be entitled to recover from the other party all court costs and a reasonable attorneys' fee to be set by the court or arbitrator, and the costs and fees incurred in enforcing any judgment entered therein.

Landlord's Initials  Tenant's Initials 

32. FURTHER ASSURANCES

Each of the parties hereto agrees to perform all such acts (including, but not limited to, executing and delivering such instruments and documents) as reasonably may be necessary to fully effectuate each and all of the purposes and intent of this Lease.

33. CONSTRUCTION OF LEASE

The term and provisions of this Lease shall be construed in accordance with the laws of the State of California as they exist on the date hereof.

The parties agree that the terms and provisions of this Lease embody their mutual intent and that they are not to be construed more liberally in favor of, or more strictly against, any party hereto.

When the context in which words are used in this Lease indicates that such is the intent, words in the singular number shall include the plural and vice versa, and words in the masculine gender shall include the feminine and neuter genders and vice versa.

The Article, Section and subsection headings contained in this Lease are for purposes of identification and reference only and shall not affect in any way the meaning or interpretation of any provision of this Lease.

Unless otherwise specifically indicated to the contrary, the word “days” as used in this Lease shall mean and refer to calendar days.

Except as otherwise provided herein, wherever in this Lease the consent of a party is required to any act by or for the other party, such consent shall not be unreasonably withheld or delayed. Landlord’s actual reasonable costs and expenses (including architects’, attorneys’, engineers’ and other consultants’ fees) incurred in the consideration of, or response to, a request by Tenant for any Landlord consent shall be paid by Tenant upon receipt of an invoice and supporting documentation therefore. Landlord’s consent to any act, assignment or subletting shall not constitute an acknowledgment that no default or breach by Tenant of this Lease exists, nor shall such consent be deemed a waiver of any then existing default or breach. The failure to specify herein any particular condition to Landlord’s consent shall not preclude the imposition by Landlord at the time of the consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given.

The word “Tenant” shall be deemed and taken to mean each and every person or party mentioned as a tenant herein, whether or not one or more, and if there shall be more than one tenant, any notice required or permitted by the terms of this Lease may be given by or to any one thereof and shall have the same force and effect as if given by or to all thereof. The use of the neuter singular pronoun to refer to Tenant shall be deemed a proper reference even though Tenant may be an individual, a partnership, a corporation, a limited liability company, or a group of two or more individuals or corporations. The necessary grammatical changes required to make the provisions of this Lease apply in the plural sense where there is more than one Tenant and to either corporations, limited liability companies, associations, partnership or individuals, males or females, shall in all instances be assumed as though in each case fully expressed.

34. PARTIAL INVALIDITY

If any term or provision of this Lease or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Lease or the application of such term or provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforceable to the fullest extent permitted by law.

35. RECORDING

Neither this Lease nor any memorandum of this Lease shall be recorded without the prior written consent of Landlord and its mortgage lenders.

36. COMPLETE AGREEMENT

It is understood that there are no oral agreements or representations between the parties hereto affecting this Lease, and this Lease supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements or representations and understandings, if any, between the parties hereto or displayed by Landlord to Tenant with respect to the subject matter thereof, and none thereof shall be used to interpret or construe this Lease. There are no representations or warranties between the parties other than those contained in this Lease and all reliance by the parties hereto with respect to representations and warranties is solely upon the representations and warranties contained in this document. This Lease, and the

Landlord’s Initials  Tenant’s Initials 

Attachments and Exhibits hereto, constitute the entire agreement between the parties and may not be altered, amended, modified, or extended except by an instrument in writing signed by the parties hereto.

37. NO IMPLICATION OF EXCLUSIVE USE

Nothing contained in this Lease shall be deemed to give Tenant an express or implied exclusive right to operate any particular type of business in the Project.

38. TENANT A CORPORATION OR LIMITED LIABILITY COMPANY

In the event Tenant (or Tenant's general partner) hereunder shall be a corporation or limited liability company, the parties executing this Lease on behalf of the Tenant hereby covenant and warrant that Tenant (or Tenant's general partner) is a duly qualified corporation or company and all steps have been taken prior to the date hereof to qualify Tenant to do business in the state wherein the Project is situated and all franchise and corporate taxes have been paid to date; and all future forms, reports, fees and other documents necessary to comply with applicable law will be filed when due. Each individual executing this Lease on behalf of said corporation or company represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of said corporation or company in accordance with the bylaws of said corporation (or operating agreement of said company), and that this Lease is binding upon said corporation or company in accordance with its terms.

39. SUBMISSION OF DOCUMENT

The submission of this document for examination and negotiation does not constitute an offer to lease, or a reservation of, or option for, the Premises. This document shall become effective and binding only upon execution and delivery hereof by Tenant and by Landlord (or, when duly authorized, by Landlord's agent or employee). No act or omission of any agent of Landlord or of Landlord's broker shall alter, change or modify any of the provisions hereof.

40. NO PERSONAL OBLIGATION OF LANDLORD

The obligations of Landlord under this Lease do not constitute personal obligations of the individual limited partners of the limited partnership which is Landlord herein, and Tenant shall look solely to the real estate that is the subject of this Lease and to no other assets of Landlord for satisfaction of any liability in respect of this Lease and will not seek recourse against the partners of the limited partnership which is Landlord herein, nor against any of its or their assets for such satisfaction.

41. EXCAVATION

Landlord shall have the right to utilize the land on which the Project is located (the "Land") for purposes of excavation and shall have the right to authorize the use of, and grant licenses and easements over, the Land to owners of adjacent property or governmental authorities for excavation purposes. If an excavation is made upon the Land or any of the Land adjacent to the Building by Landlord or said owner of adjacent property, Tenant shall license and authorize Landlord or said owner to enter on to the Premises for the purpose of performing such work in connection with the excavation as may be necessary or prudent to preserve the Building from injury or damage. Tenant shall have no claim for damages or indemnity against Landlord or any right to abatement of rent in connection therewith, unless such excavation materially affects Tenant's use of the Premises.

42. ARBITRATION

Any dispute between the parties hereto (except for any event of default or dispute regarding the payment of rent, either (or both) of which Landlord shall be entitled to its remedies under Article 17 hereof, and except for any dispute for which the Superior Court for the location in which the Premises are situated has jurisdiction by virtue of the California Code of Civil Procedure, Section 1161 *et. seq* [as the same may be recodified or amended from time to time]) shall be determined by arbitration. Whenever any such dispute arises between the parties hereto in connection with the Premises or this Lease and either party give written notice to the other that such dispute shall be determined by arbitration, then within thirty (30) days after the giving of the notice, both parties shall select and hire one member of the panel of Judicial Arbitration and Mediation Services, Inc. ("Judge"). The Judge shall be a retired judge experienced with commercial real property lease disputes in the County in which the Premises are located. As soon as reasonably possible, but no later than forty (40) days after the Judge is selected, the Judge shall meet with the parties at a location reasonably acceptable to Landlord, Tenant and the Judge. The Judge shall determine the matter within ten (10) days after any such meeting. Each party shall pay half the costs and expenses of the Judge.

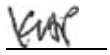
Landlord's Initials _____ Tenant's Initials _____

If Judicial Arbitration and Mediation Services, Inc. ceases to exist, and either party gives written notice to the other that a dispute shall be determined by arbitration, then, unless agreed otherwise in writing by the parties, all arbitrations hereunder shall be governed by California Code of Civil Procedure Sections 1280 through 1294.2, inclusive, as amended or recodified from time to time, to the extent they do not conflict with this Article. Within ten (10) days after delivery of such notice, each party shall select an arbitrator with at least five (5) years' experience in commercial real property leases in the County in which the Premises are located and advise the other party of its selection in writing. The two arbitrators so named shall meet promptly and seek to reach a conclusion as to the matter to be determined, and their decision, rendered in writing and delivered to the parties hereto, shall be final and binding on the parties. If said arbitrators shall fail to reach a decision within ten (10) days after the appointment of the second arbitrator, said arbitrators shall name a third arbitrator within the succeeding period of five (5) days. Said three (3) arbitrators thereafter shall meet promptly for consideration of the matter to be determined and the decision of any two (2) of said arbitrators rendered in writing and delivered to the parties hereto shall be final and binding on the parties.

If either party fails to appoint an arbitrator within the prescribed time, and/or if either party fails to appoint an arbitrator with the qualifications specified herein, and/or if any two arbitrators are unable to agree upon the appointment of a third arbitrator within the prescribed time, then the Superior Court of the County in which the Premises is located may, upon request of any party, appoint such arbitrators, as the case may be, and the arbitrators as a group shall have the same power and authority to render a final and binding decision as where the appointments are made pursuant to the provisions of the preceding paragraph. All arbitrators shall be individuals with at lease five (5) years experience negotiating or arbitrating disputes arising out of commercial real property leases in the County where the Premises are located. All determinations by arbitration hereunder shall be binding upon Landlord and Tenant.

Any determination by arbitration hereunder may be entered in any court having jurisdiction.

END OF THE STANDARD TERMS & CONDITIONS

Landlord's Initials  Tenant's Initials 

ATTACHMENT 1

RULES AND REGULATIONS

1. No automobile, recreational vehicle or any other type of vehicle or equipment shall remain upon the Common Area longer than 24 hours, and no vehicle or equipment of any kind shall be dismantled or repaired or serviced on the Common Area. All vehicle parking shall be restricted to areas designated and marked for vehicle parking. The foregoing restrictions shall not be deemed to prevent temporary parking for loading or unloading of vehicles in designated areas.

2. Tenant and its agents and invitees shall not obstruct the sidewalks, common halls, passageways, driveways, entrances and exits of any Building; such facilities shall be used only for ingress to and egress from the Premises and other buildings, if any, in the Project.

3. Signs will conform to sign standards and criteria established from time to time by Landlord. Excepting any signs specifically permitted in the Lease, no other signs, placards, pictures, banners, advertisements, names or notices shall be inscribed, displayed or printed or affixed on or to any part of the outside or inside of the building without the written consent of Landlord, and Landlord shall have the right to remove any such non-conforming signs, placards, pictures, banners, advertisements, names or notices without notice to and at the expense of Tenant.

4. No antenna, aerial, discs, dishes or other such device shall be erected on the roof or exterior walls of the Building or on the grounds without the written consent of the Landlord in each instance. Any device so installed without such written consent shall be subject to removal without notice at any time.

5. No loud speakers, televisions, phonographs, radios or other devices shall be used in a manner so as to be heard or seen outside of the Premises without the prior written consent of the Landlord.

6. The outside areas adjoining the Premises shall be kept clean and free from dirt and rubbish by the Tenant to the satisfaction of Landlord, and Tenant shall not place or permit any obstruction or materials in such areas or permit any work to be performed outside the Premises.

7. No open storage shall be permitted in the Project.

8. All garbage and refuse shall be placed in containers placed at the locations designated for refuse collection, in the manner specified by Landlord. All trash and refuse shall be stored in adequate containers within the Premises and removed at regular intervals to the common pickup station authorized by Landlord. Tenant shall be responsible for complete dismantling of all boxes and cartons and for cleanup of any clutter resulting from the dumping of trash. Cartons and boxes are not to be stored outside the Premises and trash of any kind shall not be burned in or about the Premises.

9. Other than any internal vending machines in Tenant's break room, no vending machine or machines of any description shall be installed, maintained or operated upon the Common Area without Landlord's prior written consent.

10. Tenant shall not disturb, solicit, or canvass any occupant of the Building and shall cooperate to prevent same.

11. No noxious or offensive trade or activity shall be carried on in any units or on any part of the Common Area, nor shall anything be done thereon which would in any way interfere with the quiet enjoyment of each of the other tenants of the Project or which would increase the rate of insurance or overburden utility facilities from time to time existing in the Project.

12. All moving of furniture, freight or equipment of any kind shall be done at the times and in the manner prescribed by Landlord and through entrances prescribed for such purpose by Landlord. Landlord shall have the right to prescribe the weight, size and position of all safes and other heavy equipment brought into the Building. Safes or other heavy objects shall be placed upon wooden strips of such thickness as Landlord determines necessary to properly distribute the weight. All damage done to the Premises, the Building, the Project and/or Common Areas by moving or maintaining any such safe or other property shall be repaired at Tenant's cost.

Landlord's Initials  Tenant's Initials 

13. The delivery or shipping of merchandise, supplies and fixtures to and from the Premises shall be subject to such rules and regulations as in the judgment of the Landlord are necessary for the proper operation of the Project.

14. Plumbing facilities shall be used only for the purpose for which they were constructed. Tenant shall pay the expense of any breakage, stoppage, or damage resulting from misuse or from the deposit of any substance into the plumbing facilities by Tenant or its agents or invitees.

15. Tenant shall assure that all water faucets or water apparatus and all electricity have been shut off before Tenant or its agents or invitees leave the Building, so as to prevent waste or damage.

16. Tenant, upon termination of its tenancy, shall deliver to Landlord all keys to stores, offices, rooms and restroom facilities that were furnished to Tenant or that Tenant has had made. Tenant shall pay Landlord the costs of replacing any lost keys and, at the option of Landlord, the costs of changing locks necessitated by the loss or theft of keys furnished to Tenant.

17. Tenant shall notify Landlord promptly of any damage to the Premises, the Building, the Project and/or the Common Areas resulting from or attributable to the acts of others.

18. Upon request of the Landlord, Tenant shall furnish to Landlord a current list of the names, vehicle descriptions and vehicle license numbers of each of Tenant's agents or employees who utilize the parking facilities of the Building.

19. Upon the request of Landlord, Tenant shall employ and use at Tenant's sole cost and expense a licensed pest exterminator selected by Landlord at such intervals as Landlord may request.

20. Landlord reserves the right to make such amendments to these Rules and Regulations from time to time as are nondiscriminatory and not inconsistent with the Lease.

21. Landlord shall use its best efforts to enforce the Rules and Regulations on a uniform basis as to all tenants in the Project, but Landlord shall not be responsible to Tenant or to any persons for the nonobservance or violation of these rules and regulations by any other tenant or other person. Tenant shall be deemed to have read these rules and to have agreed to abide by them as a condition to its occupancy of the Premises.

END ATTACHMENT 1

Landlord's Initials  Tenant's Initials 

EXHIBIT A

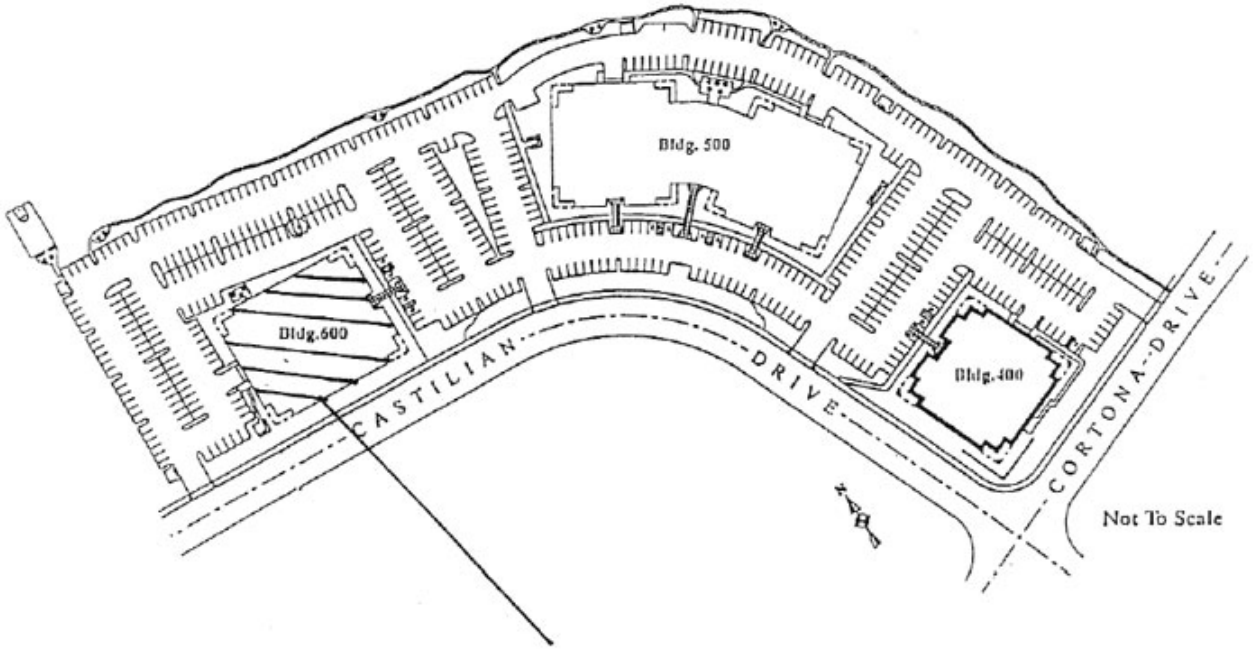
SITE PLAN

(attached)

Landlord's Initials _____ Tenant's Initials _____

SITE PLAN

EXHIBIT A



50 Castilian Drive
A portion of the first floor
consisting of approximately 14,527 square feet

END OF EXHIBIT A

Landlord's Initials _____ Tenant's Initials _____

EXHIBIT B

LANDLORD'S WORK

Tenant accepts the Premises in their "as is" condition and Landlord has no obligation to make improvements to the Premises or provide an improvement allowance other than the following:

1. **Landlord's Work**. At Landlord's sole cost and expense, Landlord shall prepare the Premises to be delivered to Tenant in a condition that meets all of the following requirements (the "Landlord's Work"):

a) Improvements constructed in a good and workmanlike manner consisting of the following: (i) paint and carpet throughout the Premises using Landlord's standard choice of materials (Landlord and Tenant to mutually agree upon type and color of carpet and color of paint); (ii) install new flooring in the break room (leaving existing break room furniture); (iii) install window side panels into six (6) interior offices as depicted on Exhibit B-1; (iv) replace Premises front door with a glass door with side panels; (v) remove four (4) offices in the middle of the Premises and remove the additional office located closest to the break room all as depicted on Exhibit B-1; (vi) improve the common lobby (e.g. furnish, move mailbox, install tenant directory, and add plants) using Landlord's standard choice of materials; (vii) install new lighting throughout the Premises using Landlord's standard choice of materials; (viii) remove the demising walls between Suites 102 and 100; (ix) repair ceilings as needed; (x) install a new modular demising wall between Suites 102 and 100; and (xi) install network and power accessibility in the Premises, separate from the second floor wiring, as depicted on Exhibit B-2;

b) Free of any furniture, fixtures, equipment, inventory or signage; and

c) All existing wiring supporting telecommunications and data services shall be labeled and in good working order. Additionally, Landlord shall provide Tenant a wiring plan that shows all such existing wiring.

d) The Premises shall be delivered to Tenant in broom clean condition and free from debris with all Building systems in good working order.

e) In the event Suite 100 is leased to another tenant, Landlord shall replace the modular demising wall between Suites 102 and 100 with a permanent wall, at its sole cost and expense.

2. **Completion of Landlord's Work**. Subject to Force Majeure Delay or Tenant Delay, Landlord shall substantially complete Landlord's Work on or before August 1, 2011. "Substantially complete" means the date of the completion of the construction of Landlord's Work in the Premises, with the exception of any tenant fixtures, work-stations, built-in furniture, or equipment to be installed by Tenant in the Premises in accordance with the terms of this Lease. As used herein, "Force Majeure Delay" means delay resulting from causes beyond the reasonable control of Landlord or its agents, including, without limitation, any delay caused by any action, inaction, order, ruling, moratorium, regulation, statute, condition or other decision of any private party or governmental agency having jurisdiction over any portion of Landlord's Work, including any delays caused by the City of Goleta or applicable governmental agency in connection with Landlord securing a permit for the construction of the Landlord's Work and/or a certificate of occupancy or equivalent governmental authorization. As used herein, "Tenant Delay" means any delay in the completion of the Landlord's Work resulting from any or all of the following: (i) Tenant's failure to timely perform any of its obligations pursuant to this Lease, including Tenant's failure to promptly grant approvals; (ii) Tenant's requested modifications to the Landlord's Work which actually result in a delay; (iii) Tenant's request for materials, finishes, or installations which are not readily available; or (iv) any other act or failure to act by Tenant or Tenant's employees, agents, independent contractors, consultants and/or any other person performing or required to perform services on behalf of Tenant, including interference with Landlord or its contractors.

3. **Tenant Improvements**.

3.1 In addition to Landlord's Work, Tenant shall have the right to make cosmetic improvements to the interior of the Premises as generally described in Exhibit B-3 attached hereto (the "Tenant Improvements"). Tenant shall make the Tenant Improvements at Tenant's sole cost and expense (subject to the Tenant Improvement Allowance set forth below). Any material change in the planned Tenant Improvements shall be subject to the consent of Landlord, which consent shall not be unreasonably withheld, delayed or conditioned. Any such Tenant Improvements (except trade fixtures) shall at once become a part of the Premises and shall be surrendered to Landlord upon the expiration or sooner termination of this Lease. All work with respect to the Tenant Improvements must be done in a good and workmanlike

Landlord's Initials  Tenant's Initials 

manner and diligently prosecuted to completion to the end that the improvements on the Premises shall at all times be a complete unit except during the period of work. Tenant shall use commercially reasonable efforts to complete the Tenant Improvements on or before August 1, 2011.

3.2 Landlord grants to Tenant a one-time Tenant Improvement Allowance not to exceed $2.00 per square foot ($29,054) for the Tenant's Improvements, including any applicable soft costs. Said allowance shall be disbursed upon presentation by Tenant to Landlord of (i) copies of Tenant's paid invoices for costs associated with Tenant Improvements; and (ii) all applicable unconditional final lien waivers. If Tenant does not utilize the Tenant Improvement Allowance by March 31, 2012, the Tenant Improvement Allowance shall become null and void and Tenant shall forever lose its right to utilize said allowance.

4. **Tax Matters**. Landlord and Tenant agree that any improvement costs incurred by Landlord shall be allocated for depreciation and income tax purposes, solely by the Landlord. It will be the intention of Landlord to allocate Landlord's contribution to such improvement items that have the shortest useful life. The parties agree to abide by the allocation of improvement costs as determined by Landlord, and agree to report the transaction for income tax purposes as so allocated by Landlord.

END EXHIBIT B

Landlord's Initials  Tenant's Initials 

EXHIBIT C

ADJUSTMENT TO MINIMUM MONTHLY RENT

C.1 The Minimum Monthly Rent provided for by Article 3.1 of the Lease shall be adjusted effective as of the Adjustment Dates specified in the Basic Provisions and in the manner specified in the Basic Provisions in accordance with this Exhibit C.

C.2 Prior to the applicable Adjustment Date, the parties shall ascertain from the official Consumers' Price Index for All Urban Consumers, All Items, for the Los Angeles- Anaheim - Riverside area, 1982-84=100 Base, as published in the Bureau of Labor Statistics, United States Department of Labor (the "Index"), the index figure for the Base Period and for the Adjustment Date specified above. If the Adjustment Date Index figures exceed the Base Period Index figure, then the minimum monthly rent payable by Tenant from said Adjustment Date until the next following Adjustment Date shall be determined by multiplying the minimum monthly rent in effect during the first year of this Lease by a fraction, the numerator of which shall be the index Figure for the Adjustment Date and the denominator of which shall be the index figure for the Base Period; provided, however, that the minimum annual rent shall have a minimum annual increase of two percent (2%) and a maximum annual increase of five percent (5%).

C.3 If the Index shall no longer be published, then appropriate reference figures for. the Base Period and the Adjustment Date shall be derived from any successor or comparable index mutually agreed by the parties to be authoritative, and if the parties are unable to agree, then the substituted index shall be selected by the then-presiding judge of the Superior Court for Santa Barbara County upon the application of either party.

C.4 The parties acknowledge that the Adjustment Date Index figure for each Adjustment Date may not be available on such date. In such event, the rental in effect immediately prior to the Adjustment Date shall continue in effect until the index figure for the Adjustment Date is available, at which time an appropriate adjustment shall be made (retroactive to the Adjustment Date) between Landlord and Tenant with respect to the minimum monthly rent payable by Tenant.

END EXHIBIT C

Landlord's Initials  Tenant's Initials 

EXHIBIT D

INTENTIONALLY OMITTED

Landlord's Initials  Tenant's Initials 

EXHIBIT E

INTENTIONALLY OMITTED

Landlord's Initials  Tenant's Initials 

EXHIBIT F

REAL ESTATE COMMISSIONS

Landlord and Tenant warrant to the other that it has had no dealings with any real estate broker or agents in connection with the negotiation of this Lease excepting only Hayes Commercial Group and The Towbes Group, Inc. and it knows of no other real estate broker or agent who is entitled to a commission in connection with this Lease.

END EXHIBIT F

Landlord's Initials  Tenant's Initials 

EXHIBIT G

TENANT'S OPTION TO RENEW

1. Grant of Options

Landlord hereby grants to Tenant, on the terms and conditions set forth below, two (2) successive options to renew this Lease. The first renewal option shall be for a renewal term of three (3) years. The second renewal option shall be for a renewal term of three (3) additional years, to commence at the expiration of the preceding renewal term. Each renewal term shall be subject to all of the provisions of this Lease, including but not limited to the provisions for any increase in Minimum Monthly Rent. The failure of Tenant to exercise its option for any renewal term shall nullify the option of the Tenant for any succeeding renewal terms. The options granted to Tenant in this Lease are personal to Tenant and cannot be exercised by anyone other than Tenant and only while Tenant is in full possession of the Premises.

2. Conditions to Exercise

The right of Tenant to exercise its renewal options is subject to Tenant's compliance with all of the following conditions precedent:

(a) The Lease shall be in effect at the time written notice of exercise is received and on the last day of the existing Lease term; and

(b) Tenant shall not be in default at any time in the twelve (12) months prior to the time notice of exercise is given or at any time from the time notice of exercise is given to the last day of the existing Lease term; and

(c) At least six (6) months and not more than twelve (12) months before the last day of the existing Lease term, Tenant shall have given Landlord written notice of exercise of option, which notice, once given, shall be irrevocable and binding on the parties hereto. Notwithstanding the time Tenant elects to exercise its option, the process of determining the Fair Market Rental Rate (as defined below) shall not be commenced by Landlord and Tenant earlier than six (6) months prior to the commencement of the applicable option term; and

(d) Tenant shall not have incurred more than two (2) late charge processing charges nor more than two (2) notices of nonpayment under Section 3.3 of the Standard Terms and Conditions during the preceding twenty-four (24) months; and

(e) Neither Landlord nor Tenant has exercised any right to terminate this Lease due to damage to or destruction of the Premises or the building and improvements of which the Premises are a part, or any condemnation or conveyance under threat of condemnation.

3. Minimum Monthly Rent

(a) The Minimum Monthly Rent at the beginning of the first option term shall be adjusted to the then "Fair Market Rental Rate," however in no event shall the rent at the beginning of the first option term be less than the rent paid in the last month of the third year of the Initial Term, as adjusted pursuant to Section E.2 of the Basic Provisions of the Lease. The Minimum Monthly Rent at the beginning of the second option term shall be adjusted to the then "Fair Market Rental Rate," however in no event shall the rent at the beginning of the second option term be less than the rent paid in the last month term immediately preceding the second option term, as adjusted pursuant to Section E.2 of the Basic Provisions of the Lease.

(b) For purposes of this Lease, the term "Fair Market Rental Rate" shall mean the annual amount per rentable square foot that Landlord has accepted in current transactions between non-affiliated parties from renewal and non-equity tenants for comparable space, for a comparable use, for a comparable period of time ("Comparable Transactions") in the Project and what a comparable landlord of a comparable building with comparable vacancy factors would accept in Comparable Transactions. In any determination of Comparable Transactions appropriate consideration shall be given to the annual rental rates per rentable square foot, the type of escalation clause (e.g., whether increases in additional rent are determined on a net or gross basis, and if gross, whether such increases are determined according to a base year or a base dollar amount expense stop), abatement provisions reflecting free rent and/or no rent during the period of construction or subsequent to the commencement date as to the space in question, length of the lease term, size and location of premises being leased, and other generally applicable conditions of tenancy for such Comparable Transactions.

(c) Landlord shall determine the Fair Market Rental Rate by using its good faith judgment. Landlord shall provide written notice of such amount within twenty (20) days after Tenant provides the notice to Landlord exercising Tenant's option rights which require a calculation of the Fair Market Rental Rate; provided however that, in no event, shall Landlord be required to deliver such notice to Tenant more than one hundred eighty (180) days prior to the

Landlord's Initials  Tenant's Initials 

first day of the renewal term for which such determination is being made. Tenant shall have fifteen (15) days ("Tenant's Review Period") after receipt of Landlord's notice of the new rental within which to accept such rental or to reasonably object thereto in writing. In the event Tenant objects, Landlord and Tenant shall attempt to agree upon such Fair Market Rental Rate using their best good faith efforts. If Landlord and Tenant fail to reach agreement within fifteen (15) days following Tenant's Review Period ("Outside Agreement Date"), then each party shall place in a separate sealed envelope their final proposal as to Fair Market Rental Rate and such determination shall be submitted to arbitration as provided below. Failure of Tenant to so elect in writing within Tenant's Review Period shall conclusively be deemed its approval of the Fair Market Rental Rate determined by Landlord.

(d) If both parties make timely individual determinations of the Fair Market Rental Rate under Article 2, the disagreement shall be resolved by arbitration under this Article 3. Except as provided below, the determination of the arbitrators(s) shall be limited to the sole issue of whether Landlord's or Tenant's submitted Fair Market Rental Rate is the closest to the actual Fair Market Rental Rate as determined by the arbitrator(s), taking into account the requirements of subsection (a) above. The arbitrator(s) must be a licensed real estate appraiser who has been active in the appraisal of corporate business parks properties in the City in which the Premises are located over the five-year (5-year) period ending on the date of his or her appointment as an arbitrator. Within fifteen (15) days after the Outside Agreement Date, Landlord and Tenant shall each appoint one arbitrator and notify the other party of the arbitrator's name and business address. Within ten (10) days after the appointment of the second arbitrator, the two (2) arbitrators shall decide whether the parties will use Landlord's or Tenant's submitted Fair Market Rental Rate and shall notify Landlord and Tenant of their decision. If either Landlord or Tenant fails to appoint an arbitrator within fifteen (15) days after the Outside Agreement Date, the arbitrator timely appointed by one of them shall reach a decision and notify Landlord and Tenant of that decision within thirty (30) days after the arbitrator's appointment. If each party appoints an arbitrator in a timely manner, but the two (2) arbitrators either fail to agree on whether the Landlord's or Tenant's submitted Fair Market Rental Rate is closest to the actual Fair Market Rental Rate, or one (1) arbitrator's actual determination of the Fair Market Rental Rate varies from the other arbitrator's actual determination of the Fair Market Rental Rate by greater than five percent (5%), then the two (2) arbitrators shall immediately appoint a third arbitrator (who shall be qualified under the same criteria set forth above for qualification of the initial two (2) arbitrators) and provide notice to Landlord and Tenant of the third arbitrator's name and business address. Provided, however, if the arbitrators' respective determinations of the actual Fair Market Rental Rate vary by five percent (5%) or less, then the Actual Fair Market Rental Rate shall be determined by taking the average of the two (2) determinations. Within twenty (20) days after the appointment of the third arbitrator, the third arbitrator's determination shall be limited solely to the determination of which of the prior two (2) arbitrators' determinations is the closest to the actual Fair Market Rental Rate as determined by the third arbitrator, taking into account the requirements of subsection (b) above. If the third arbitrator is unable or unwilling to select one (1) of the two (2) prior determinations, the arbitrator(s) shall be dismissed without delay and the issue of the Fair Market Rental Rate shall be submitted to arbitration in Santa Barbara, California, under the commercial arbitration rules then existing of JAMS or its successor, subject to the provisions of this Exhibit G. If both Landlord and Tenant fail to appoint an arbitrator in a timely manner, or if the two (2) arbitrators appointed by Landlord and Tenant fail to appoint a third arbitrator, the Fair Market Rental Rate shall be submitted to arbitration in Santa Barbara, California, under the commercial arbitration rules then existing of JAMS or its successor, subject to the provisions of this Exhibit G. The arbitrator's decision shall be binding on Landlord and Tenant. The cost of any arbitration required herein shall be paid by the losing party.

(e) The Minimum Monthly Rent for the option term, established as provided above, shall be adjusted on the first day of the first October following the commencement of the option term and the first day of October every year of the option term thereafter in accordance with Section E.2 of the Basic Provisions of the Lease and set forth in a written amendment to Lease executed by the parties.

4. Options Personal

Each Option granted to Tenant in this Lease is personal to Tenant and may not be exercised or be assigned voluntarily or involuntarily by or to any person or entity than Tenant. The Options herein granted to Tenant are not assignable separate or apart from this Lease.

END EXHIBIT G

Landlord's Initials _____ Tenant's Initials _____

EXHIBIT H

ADDITIONAL GOVERNMENTAL CONDITIONS AND REQUIREMENTS

1. To the extent such use is approved by Landlord in writing in connection with the lease to which this Exhibit H is attached, any tenant proposing to store, handle, or use hazardous materials within the provisions of AB 2185/2187, shall, prior to occupying the premises subject to lease and bringing such hazardous materials onto the Project, shall submit a hazardous materials business plan (the "Hazardous Materials Business Plan") thirty (30) days prior to occupancy to the County of Santa Barbara Health Care Services Department ("HCS") for review and approval. All Hazardous Materials Business Plans shall be referred to in project lease documents and attached in full thereto and in any deed transfers and leases. No tenant shall be entitled to store, handle, or use any hazardous materials in, on or about the Project, nor shall such tenant be entitled to occupy the premises, until HCS has approved the Hazardous Materials Business Plan.

2. Any tenant required to submit a Hazardous Materials Business Plan in connection with its proposed use shall submit an updated Hazardous Materials Business Plan annually thereafter

3. Any tenant required to submit a Hazardous Materials Business Plan in connection with its proposed use shall pay inspection fees, based on the hourly inspection rate for an environmental audit to be conducted by HCS at the termination of a lease and prior to reoccupation of such structure or part thereof if hazardous materials were in use on the leased premises. The Landlord shall, within 10 days notice of termination of said lease, notify HCS of the need for an environmental audit. HCS shall perform such an audit in a timely manner to prevent economic hardship to Landlord and shall certify that the premises are available for reoccupation or specify cleanup measures that will render the premises safe for reoccupation. The tenant whose lease is being terminated shall be responsible for any cleanup that may be required as a result of the audit.

4. To the extent such use is approved by Landlord in writing in connection with the lease to which this Exhibit is attached, any tenant generating hazardous waste in, on or about the Project shall submit to the HCS a plan outlining measures for the minimization of the hazardous waste stream from the proposed operation in addition to a Hazardous Materials Business Plan.

5. To the extent such use is approved by Landlord in writing in connection with the lease to which this Exhibit is attached, all tenants shall restrict vehicle washing and other cleaning activities to areas that can be properly drained into a sanitary sewer.

END EXHIBIT H

Landlord's Initials  Tenant's Initials 

EXHIBIT I

SIGN PLAN

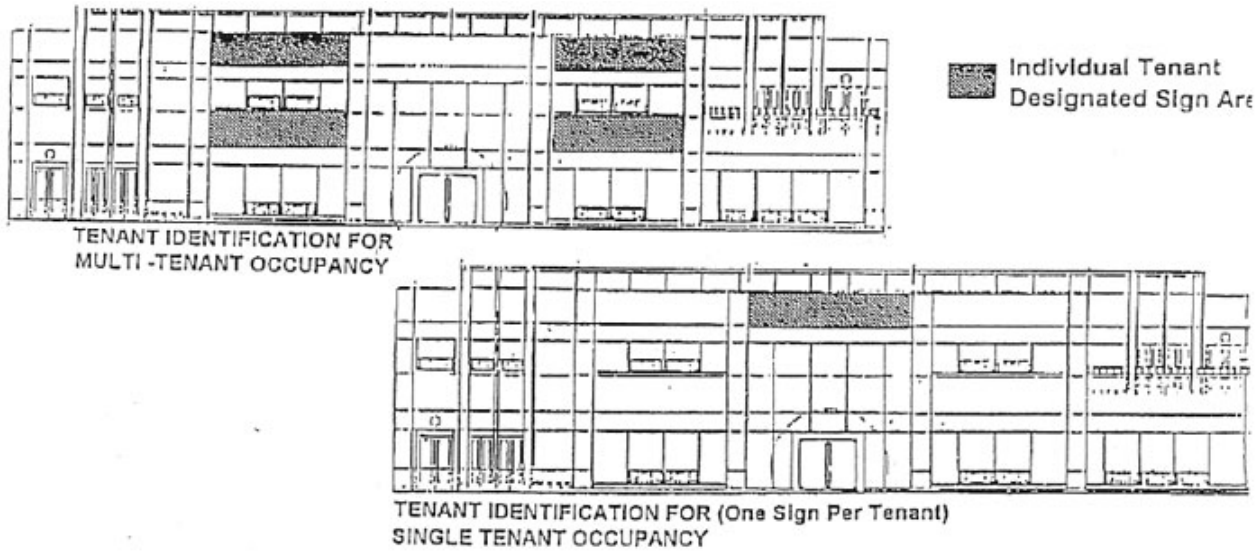
(attached)

Landlord's Initials  Tenant's Initials 

CASTILIAN TECHNICAL CENTER

SIGNAGE CRITERIA-EXHIBIT I
TENANT IDENTIFICATION-EXTERIOR BUILDING MOUNTED

THE TENANT SHALL BE REQUIRED TO SUBMIT DUPLICATE SCALED DRAWINGS OF THEIR SIGN DESIGN FOR APPROVAL BY THE LANDLORD PRIOR TO PERMIT APPLICATION, FABRICATION AND INSTALLATION.



A-DESIGN AND FABRICATION:

BUSINESS IDENTIFICATION EXTERIOR WALL-MOUNT:

1) One sign of individual plastic injection molded or plex faced foam letters shall be allowed per Tenant.
2) If Tenant occupies an entire building affording more than one street frontage, more than one sign may be allowed with Landlord's prior written approval.
3) Overall signage length shall not exceed 76% of the designated sign band width.
4) One line of copy/lettering shall be allowed per sign: variance for more than one line of copy/lettering shall require the Landlord's prior written approval.
5) With one line of copy/lettering, maximum letter height shall not exceed 15", minimum letter height shall be 12".
6) With two lines of copy/lettering, the letter height of the first line shall be as described in A-5, the letter height of the second line shall be 5".
7) The use of logos shall be only in conjunction with the individual letters and shall be included in the designated sign band area.
8) Written logo requests shall be considered on an individual basis; only copyright secured or trademark registered logos shall be approved by the Landlord.
9) Individual letter style/font shall be per Tenant's selection, shall be fabricated of plastic injection molded or plex faced foam, and shall require Landlord's prior written approval.
10) The signage color shall be black any variation shall require the Landlord's prior written approval.
11) All edges of the Tenant signage shall be finished the same color as the faces.

B-INSTALLATION:

BUSINESS IDENTIFICATION EXTERIOR WALL-MOUNT:

1) Installation of the individual lettering of the Tenant's signage shall be with silicone adhesive or equivalent by gluing directly to the building.

2) All signage, including any approved logo, shall be installed within the designated sign band area, using a template for proper placement.

3) Multi-tenant building Tenants shall Install their business Identification lettering within the designated sign band area justified left or right, depending on the location of their leased space in the building.

4) Single building Tenants shall be allowed to install their signage centered within the designated sign band area.

5) The Tenant is responsible for the installation and maintenance of all its signage.

6) The Tenant shall be responsible for the repair of any damage to the building caused by Installation, maintenance or removal of Its signs.

7) The Tenant shall be responsible for the removal of its signs prior to vacating the promises, including restoration of the surface to its original condition.

8) No blinking, flashing, moving or noon style signage shall be allowed.

THE TENANT SHALL BE RESPONSIBLE FOR ALL ADA REQUIRED SIGNAGE WITHIN THEIR PREMISES.

ONLY C-45 LICENSED SIGN CONTRACTORS SHALL BE ALLOWED TO FABRICATE AND INSTALL CASTILIAN TECHNICAL CENTER SIGNAGE.

ALL EXTERIOR SIGNAGE IS SUBJECT TO APPROVAL BY THE COUNTY OF SANTA BARBARA, AND MUST HAVE A SIGN PERMIT FROM THE COUNTY OF SANTA BARBARA PRIOR TO INSTALLATION.

A COPY OF THE APPROVED SIGN PERMIT MUST BE SUBMITTED TO THE LANDLORD PRIOR TO INSTALLATION.

PLEASE have your sign manufacturer submit two copies of scaled drawings for approval to THE TOWBES GROUP, INC., 21 East Victoria, Suite 200, Santa Barbara, CA 93101

END OF EXHIBIT I

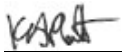
Landlord's Initials  Tenant's Initials 

EXHIBIT J

INTENTIONALLY OMITTED

Landlord's Initials  Tenant's Initials 

EXHIBIT K

SUPPLEMENTAL TERMS AND CONDITIONS

THESE SUPPLEMENTAL TERMS AND CONDITIONS constitute an integral part of this Lease to which they are attached. Any other provisions of this Lease shall be resolved in favor of these Supplemental Terms and Conditions.

K.1. Landlord's Operating and Maintenance Costs *(Continued from Basic Provisions Section F)*

Tenant's monthly proportionate share of Landlord's estimated Total Operating Costs for the year ended December 31, 2011, shall be $0.44 per square foot per month. (Article 7.3)

K.2. Signs and Advertising *(Continued from Article 22 of the Standard Terms and Conditions)*

Tenant shall have the right, at Tenant's sole cost and expense, to place and maintain a sign to display its trade name at the exterior of the Building (upper southeast corner), Building directory, and Premises entry door, which signage shall conform to the requirements of Landlord and of all governmental authority(ies) having jurisdiction thereover as to location, size and format. Such sign will be subject to the same terms and conditions set forth in Article 22 of the Standard Terms and Conditions.

K.3. Server Room

The Premises includes a server room that could be potentially shared with any tenant occupying Suite 100 of the Building (the "Shared Server Room"). In the event Landlord leases Suite 100 of the Building to another tenant (other than Tenant), Landlord shall, at its sole cost and expense, separate in half the Shared Server Room, including all wiring therein, as needed, so that there is at least one (1) server room servicing solely and exclusively the Premises.

K.4. Expansion Right

Landlord hereby grants to Tenant, on the terms and conditions set forth below, a right of expansion (the "Expansion Right") with respect to space on the first (1st) floor of the Building located at 50 Castilian Drive commonly known as Suite 100, consisting of approximately 6,406 rentable square feet (the "Specific Expansion Space"), as follows:

a. Tenant may only exercise its Expansion Right by providing Landlord with no less than ninety (90) days advance written notice (the "Expansion Notice") of its exercise of the Expansion Right anytime after the Effective Date, but no later than six (6) months following the Effective Date. Upon delivery of the Expansion Notice, Tenant's Expansion Right shall be immediately effective and irrevocable under the terms set forth herein.

b. If Tenant does not exercise its Expansion Right within the time periods specified above, then the Expansion Right shall terminate for the Specific Expansion Space and Landlord shall be free to lease the Specific Expansion Space to anyone on any terms at any time during the Term of the Lease, without any obligation to provide Tenant with a further right to lease that Specific Expansion Space.

c. The Expansion Right shall be personal to the originally named Tenant and shall be exercisable only by the originally named Tenant. The originally named Tenant may exercise the Expansion Right only if that Tenant occupies the Premises originally leased hereunder as of the date of the Expansion Notice. Tenant shall not have the right to lease the Specific Expansion Space if Tenant is in material or monetary default under this Lease (beyond all applicable notice and cure periods in the Lease) as of the date of the attempted exercise of the Expansion Right by Tenant or (at Landlord's option) as of the scheduled Delivery Date of the Specific Expansion Space to Tenant.

d. If Tenant timely and validly exercises the Expansion Right, Landlord shall deliver the Specific Expansion Space to Tenant, vacant and ready for any Tenant improvement work, on a date selected by Landlord (the "Delivery Date") that is no later than one hundred twenty (120) days after delivery of the Expansion Notice.

f. If Tenant exercises the Expansion Right as required herein, then, beginning on the Delivery Date and continuing for the balance of the Term (including any

Landlord's Initials  Tenant's Initials 

extensions): (a) the Specific Expansion Space shall be part of the Premises under this Lease (so that the term "Premises" in this Lease shall refer to the space in the Premises immediately before the Delivery Date plus the Specific Expansion Space); (b) the Term of the Lease shall be extended to three (3) years from the first day of the first full calendar month following the Delivery Date; (c) Tenant's Base Rent shall be immediately adjusted to reflect the increased rentable area of the Premises (6,406 rentable square feet) and thereafter adjusted annually in accordance with the terms of the Lease; (d) the Adjustment Date in Section E.2 of the Basic Provisions of the Lease will be changed to the first day of the thirteenth (13th) full calendar month following the Delivery Date of the Specific Expansion Space and, the Base Period will be three (3) months prior to the new Delivery Date, and the Comparison Period shall be three (3) months prior to the Adjustment Date; (e) Tenant's share of Operating Expenses shall be adjusted to reflect the increased rentable area of the Premises; (e) the Security Deposit shall be increased by $8,968.40 to $29,306.20, and (f) Tenant shall be entitled to use an additional twenty-one (21) parking spaces in the parking area of the Project in accordance with the terms of the Lease. Tenant's lease of the Specific Expansion Space shall be on the same terms and conditions as affect the original Premises from time to time, except as otherwise provided herein. Tenant's obligation to pay Rent with respect to the Specific Expansion Space shall begin thirty (30) days after the Delivery Date. The Specific Expansion Space shall be leased to Tenant in its "as-is" condition, except that Landlord shall, at its sole cost and expense prior to the Delivery Date: (i) remove and modify all interior rooms within the Specific Expansion Space, as noted on Exhibit B-4, (ii) paint and carpet throughout the Specific Expansion Space using Landlord's standard choice of materials (Landlord and Tenant to mutually agree upon type and color of carpet and color of paint); (iii) install new lighting throughout the Specific Expansion Space using Landlord's standard choice of materials; (iv) repair or replace damaged ceiling areas in the Specific Expansion Space; (v) install network and power accessibility in the Specific Expansion Space and (vi) provide Tenant a $2 per square foot Tenant Improvement Allowance to be used for interior improvements.

g. If Tenant exercises the Expansion Right as required herein, Landlord and Tenant shall, within twenty (20) days after the Delivery Date, confirm in writing the addition of the Specific Expansion Space to the Premises on the terms and conditions set forth herein. The written confirmation shall be set forth in a written amendment to Lease executed by both parties, and shall confirm: (a) the actual Delivery Date; (b) the rentable area of the Premises with the addition of the Specific Expansion Space, being 20,933 rentable square feet; (c) the percentage that constitutes Tenant's share of Operating Expenses, as adjusted in accordance with the terms of the Lease to reflect the increased rentable area of the Premises (Tenant's Share of Building Operating Expenses shall initially be forty-eight and 37/100 percent (48.37%) and Tenant's Share of Project Operating Expenses shall be forty-eight and 37/100 percent (48.37%); (d) the rental commencement date for the Specific Expansion Space; and (e) any other term that either party reasonably requests be confirmed with respect to the Lease.

K.5. Right of First Offer

Subject to the terms and conditions contained herein, Landlord grants to Tenant a continuing right of first offer ("First Offer Right") with respect to any space on the first (1st) floor of the Building located at 50 Castilian Drive (the "First Offer Space"), as follows:

a. Landlord shall provide Tenant with written notice ("First-Offer Notice") from time to time if Landlord decides to offer the First-Offer Space to a third-party. The First Offer Notice shall: (a) describe the First-Offer Space that will become available for lease ("Specific First-Offer Space"); (b) include an attached floor plan identifying such space; (c) state the projected Delivery Date; and state the fundamental lease terms that Landlord is willing to offer such space to third-parties, including Minimum Monthly Rent, any tenant improvement allowance, and the duration of the lease (collectively the "Specific Terms and Conditions").

b. If Tenant wishes to exercise Tenant's First-Offer Right with respect to the Specific First-Offer Space on the Specific Terms and Conditions, Tenant shall, within ten (10) business days after delivery of the First-Offer Notice to Tenant, deliver notice to Landlord of Tenant's irrevocable exercise its First-Offer Right with respect to all the Specific First-Offer Space. Tenant must elect to exercise its First-Offer Right, if at all, only with respect to all the space offered by Landlord to Tenant at any particular time, and Tenant may not elect to lease only a portion of that space.

c. If Tenant does not exercise its First-Offer Right within the response period specified above, the First-Offer Right shall terminate for the Specific First-Offer Space and Landlord shall be free to lease that space to the third party, without any obligation to provide Tenant with a further right to lease that space. Notwithstanding the foregoing, if the third party does not lease the Specific First-Offer Space within ninety (90) days of Tenant not exercising its First-Offer Right, Tenant's First Offer Right shall be reinstated.

Landlord's Initials  Tenant's Initials 

d. The First-Offer Right shall be personal to the originally named Tenant and shall be exercisable only by such Tenant (and not any assignee, sublessee, or other transferee of Tenant's interest in this Lease). Tenant may exercise the First-Offer Right only if Tenant occupies all of the Premises leased hereunder as of the date of the First-Offer Notice. Tenant agrees that it shall not have the right to lease First-Offer Space if an Event of Default under this Lease has occurred and is continuing as of the date of the attempted exercise of the First-Offer Right by Tenant or as of the scheduled date of delivery of the Specific First-Offer Space to Tenant.

e. If Tenant timely and validly exercises the First-Offer Right, Landlord shall deliver the Specific First-Offer Space to Tenant on a date selected by Landlord ("Delivery Date"). Landlord shall not be liable to Tenant or otherwise be in default under this Lease if Landlord is unable to deliver the Specific First Offer Space to Tenant on the projected Delivery Date due to the failure of any other tenant to timely vacate and surrender to Landlord the Specific First-Offer Space or any portion of it.

f. If Tenant timely and validly exercises the First-Offer Right, then, beginning on the Delivery Date and continuing for the balance of the Term (including any extensions): (a) the Specific First-Offer Space shall be part of the Premises under this Lease (so that the term "Premises" in this Lease shall refer to the space in the Premises immediately before the Delivery Date plus the Specific First-Offer Space); and (b) Tenants share of Operating Expenses shall be adjusted to reflect the increased rentable area of the Premises. Tenant's lease of the Specific First-Offer Space shall be on the same terms and conditions as affect the original Premises from time to time, except for changes required by the Specific Terms and Conditions.

g. If Tenant timely and validly exercises the First-Offer Right, Landlord and Tenant shall, within twenty (20) days after Landlord's delivery of the Specific First-Offer Space to Tenant, confirm in writing the addition of the Specific First-Offer Space to the Premises on the terms and conditions set forth herein. The written confirmation shall confirm: (a) the actual Delivery Date; (b) the rentable area of the Premises with the addition of the Specific First-Offer Space; (c) the percentage that constitutes Tenant's share of Common Area Expenses, as adjusted in accordance with the terms of the Lease to reflect the increased rentable area of the Premises; (d) the rental commencement date for the Specific First-Offer Space; (e) the number of non-exclusive parking spaces allocated to Tenant (which shall be in the same ratio specified in "Parking" in the Basic Lease Provisions section of this Lease); (f) the Expiration Date; (g) the Specific Terms and Conditions; and (h) any other term that either party requests be confirmed with respect to the Specific First-Offer Space.

K.6 Real Property Taxes *(Continued from Section 5.2 of the Standard Terms and Conditions)*

Real Property Taxes shall not include any of the following and Tenant shall not be obligated to pay any of the following, whether as additional rent or otherwise: (i) any charge, penalty or assessment resulting from Landlord's delinquent payment of Real Property Taxes; or (ii) any increase in Real Property Taxes resulting under Proposition 13 from reassessment of the Project (or any portion thereof) as a result of a sale or transfer of the Project (or any portion thereof) that occurs within the initial three (3) year Term of the Lease.

END EXHIBIT K

Landlord's Initials _____ Tenant's Initials _____

EXHIBIT L

TENANT ESTOPPEL CERTIFICATE

To: _____ ("Bank")

_____

_____

_____

Attn: _____

Re: Lease Dated: _____

Current Landlord: _____

Current Tenant: _____

Square Feet: Approximately: _____

Floor(s): _____

Located at: _____

("Tenant") hereby certifies that as of , 20 :

1. Tenant is the present owner and holder of the tenant's interest under the lease described above, as it may be amended to date (the "Lease") with Landlord (who is called "Borrower" for the purposes of this Certificate). *(USE THE NEXT SENTENCE IF THE LANDLORD OR TENANT NAMED IN THE LEASE IS A PREDECESSOR TO THE CURRENT LANDLORD OR TENANT.)* **[The original landlord under the Lease was , and the original tenant under the Lease was .]** The Lease covers the premises commonly known as (the "Premises") in the building (the "Building") at the address set forth above.

2. (a) A true, correct and complete copy of the Lease (including all modifications, amendments, supplements, side letters, addenda and riders of and to it) is attached to this Certificate as Exhibit A. As used herein, the defined term "Lease" includes all such modifications, amendments, supplements, side letters, addenda and riders.

(b) The Lease provides that in addition to the Premises, Tenant has the right to use or rent assigned/unassigned] parking spaces near the Building or in the garage portion of the building during the term of the Lease.

(c) The term of the Lease commenced on , 20 and will expire on , 20 including any presently exercised option or renewal term. Except as specified in Paragraph(s) of the Lease (copy attached), Tenant has no option or right to renew, extend or cancel the Lease, or to lease additional space in the Premises or Building, or to use any parking *(IF APPLICABLE)* [other than that specified in Section 2(b) above],

(d) Tenant has no option or preferential right to purchase all or any part of the Premises (or the land of which the Premises are a part). Tenant has no right or interest with respect to the Premises or the Building other than as Tenant under the Lease.

(e) The annual minimum rent currently payable under the Lease is $ and such rent has been paid through , 20 .

(f) Additional rent is payable under the Lease for (i) operating, maintenance or repair expenses, (ii) property taxes, (iii) consumer price index cost of living adjustments, or (iv) percentage of gross sales adjustments (i.e., adjustments made based on underpayments of percentage rent). Such additional rent has been paid in accordance with Borrower's rendered bills through , 20 . The base year amounts for additional rental items are as follows: (1) operating, maintenance or repair expenses $. (2) property taxes $, and (3) consumer price index (please indicate base year CPI level).

(g) Tenant has made no agreement with Borrower or any agent, representative or employee of Borrower concerning free rent, partial rent, rebate of rental payments or any other similar rent concession.

(h) Borrower currently holds a security deposit in the amount of $ which is to be applied by Borrower or returned to Tenant in accordance with Paragraph(s) of the Lease. Tenant acknowledges and agrees that Bank shall have no responsibility or liability for any security deposit, except to the extent that any security deposit shall have been actually received by Bank.

Landlord's Initials _____ Tenant's Initials _____

3. (a) The Lease constitutes the entire agreement between Tenant and Borrower with respect to the Premises, has not been modified changed, altered or amended and is in full force and effect in the form attached as Exhibit A. There are no other agreements, written or oral, which affect Tenant's occupancy of the Premises.

(b) All insurance required of Tenant under the Lease has been provided by Tenant and all premiums have been paid.

(c) To the best knowledge of Tenant, no party is in default under the Lease. To the best knowledge of Tenant, no event has occurred which, with the giving of notice or passage of time, or both, would constitute such a default.

(d) The interest of Tenant in the Lease has not been assigned or encumbered. Tenant is not entitled to any credit against any rent or other charge or rent concession under the Lease except as set forth in the Lease. No rental payments have been made more than one month in advance.

4. All contributions required to be paid by Borrower to date for improvements to the Premises have been paid in full and all of Borrower's obligations with respect to tenant improvements have been fully performed. Tenant has accepted the Premises, subject to no conditions other than those set forth in the Lease.

5. Neither Tenant nor any guarantor of Tenant's obligations under the Lease is the subject of any bankruptcy or other voluntary or involuntary proceeding, in or out of court, for the adjustment of debtor-creditor relationships.

6. (a) As used here, "Hazardous Substance" means any substance, material or waste (including petroleum and petroleum products) which is designated, classified or regulated as being "toxic" or "hazardous" or a "pollutant" or which is similarly designated, classified or regulated, under any federal, state or local law, regulation or ordinance.

(b) Tenant represents and warrants that it has not used, generated, released, discharged, stored or disposed of any Hazardous Substances on, under, in or about the Building or the land on which the Building is located *(IF APPLICABLE)* [, other than Hazardous Substances used in the ordinary and commercially reasonable course of Tenant's business in compliance with all applicable laws], *(IF APPLICABLE)*.

7. Tenant hereby acknowledges that Borrower *(CHOOSE ONE)* [intends to encumber/has encumbered] the property containing the Premises with a Deed of Trust in favor of Bank. Tenant acknowledges the right of Borrower, Bank and any and all of Borrower's present and future lenders to rely upon the statements and representations of Tenant contained in this Certificate and further acknowledges that any loan secured by any such Deed of Trust or further deeds of trust will be made and entered into in material reliance on this Certificate.

8. Tenant hereby agrees to furnish Bank with such other and further estoppel as Bank may reasonably request.

By: _____

Name: _____

Title: _____

END EXHIBIT L

Landlord's Initials _____ Tenant's Initials _____

EXHIBIT M

COMMENCEMENT DATE MEMORANDUM

With respect to that certain Multi-Tenant Industrial Lease ("Lease") dated April 1, 2011, between AppFolio, Inc., a Delaware corporation ("Tenant"), and Nassau Land Company, L.P., a California limited partnership ("Landlord"), whereby Landlord leased to Tenant and Tenant leased from Landlord approximately 14,527 rentable square feet of the building located at 50 Castilian Drive, Suite 102, Goleta, CA ("Premises"), Tenant hereby acknowledges and certifies to Landlord as follows:

(1) Landlord delivered possession of the Premises to Tenant in a substantially completed condition on ;

(2) The rental commencement date is ;

(3) The Premises contain square feet of space; and

(4) Tenant has accepted and is currently in possession of the Premises and the Premises are acceptable for Tenant's use.

IN WITNESS WHEREOF, this Commencement Date Memorandum is executed this day of , 2011.

"Tenant"

APPFOLIO, INC., a Delaware corporation

By: _____

Its: President

By: _____

Its: CFO

END EXHIBIT M

Landlord's Initials _____ Tenant's Initials _____

EXHIBIT N

PROHIBITED USES

The following types of operations and activities are expressly prohibited on the Premises:

1. automobile/truck maintenance, repair or fueling;
2. battery manufacturing or reclamation;
3. ceramics and jewelry manufacturing or finishing;
4. chemical (organic or inorganic) storage, use or manufacturing;
5. drum recycling;
6. dry cleaning;
7. electronic components manufacturing;
8. electroplating and metal finishing;
9. explosives manufacturing, use or storage;
10. hazardous waste treatment, storage, or disposal;
11. leather production, tanning or finishing;
12. machinery and tool manufacturing;
13. medical equipment manufacturing and hospitals;
14. metal shredding, recycling or reclamation;
15. metal smelting and refining;
16. mining;
17. paint, pigment and coating operations;
18. petroleum refining;
19. plastic and synthetic materials manufacturing;
20. solvent reclamation;
21. tire and rubber manufacturing;
22. above- and/or underground storage tanks; and
23. residential use or occupancy.

END EXHIBIT N

Landlord's Initials  Tenant's Initials 

EXHIBIT O

INTENTIONALLY OMITTED

Landlord's Initials  Tenant's Initials 

EXHIBIT P

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

_____

_____

_____

Attention: _____

(Space Above For Recorder's Use)

SUBORDINATION, NONDISTURBANCE
AND ATTORNMENT AGREEMENT

This SUBORDINATION, NONDISTURBANCE AND ATTORNMENT AGREEMENT ("Agreement"), dated as of , 20 , executed by ("Tenant"), and , a ("Landlord"), in favor of , a , as Agent ("Lender"), is entered into with reference to the following facts:

A. Tenant is presently leasing certain premises (the "Premises") comprising a portion of the real property (the "Property") described in Exhibit A, attached hereto and incorporated herein by this reference, pursuant to a lease (as modified from time to time, the "Lease") dated 20 , between Tenant and Landlord.

B. Lender has made or agreed to make a loan or loans to Landlord (the "Loan") and, in connection therewith, Landlord has executed a deed of trust (as modified from time to time, the "Deed of Trust") and an assignment of leases (the "Assignment of Leases"), assigning to Lender Landlord's interests in the Property, including Landlord's interests as landlord under the Lease.

IN CONSIDERATION OF THE FOREGOING, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Tenant and Landlord hereby agree as follows:

A G R E E M E N T

1. Certifications by Tenant, Tenant hereby certifies to Lender as follows:

1.1 The Lease is in full force and effect, Tenant is presently occupying the Premises pursuant thereto, and Tenant has not transferred its interests in the Lease or agreed to do so.

1.2 A true and complete copy of the Lease, together with all amendments, supplements and other modifications thereto (oral or written), has been delivered to Lender by Tenant prior to the execution of this Agreement, is attached hereto as Exhibit B.

1.3 No rent or other amount has been prepaid under the Lease, except as follows (if none, state "None"):
.

1.4 No deposit of any nature has been made in connection with the Lease (other than deposits the nature and amount of which are expressly described in the Lease), except as follows (if none, state "None"): .

1.5 Tenant is currently paying base rent under the Lease in the amount of $ per month. Tenant's estimated share of common area charges, insurance, real estate taxes and administrative and overhead charges is currently being paid at the rate of $ per month. Tenant has paid a total of $ of percentage rent for the 12-month period ending , 20 .

1.6 The Lease is the only agreement between Landlord and Tenant with respect to the Premises, and Tenant claims no rights with respect to the Premises or the Property other than those set forth in the Lease, except as follows (if none, state "None"):

_____

_____

_____

_____ .

Landlord's Initials _____ Tenant's Initials _____

1.7 To the best of Tenant's knowledge, there are no existing defenses or offsets against amounts due or to become due to Landlord under the Lease, and there are no existing uncured defaults by Landlord under the Lease, nor has any event occurred which, with the passage of time or the giving of notice or both, would constitute such a default, except as follows (if none, state "None"):

_____
_____
_____
_____ .

1.8 Landlord has performed all of its obligations to Tenant with respect to the construction of improvements; Landlord has offered no free rent period, building allowance or similar concession(s) to induce Tenant to enter into the Lease except as set forth in the Lease; and Landlord has no other obligations to Tenant in connection with the Lease, matured or not yet matured, except as set forth in the Lease.

1.9 To the best of Tenant's knowledge, no circumstance presently exists, and no event has occurred, that would prevent the Lease from becoming effective or would entitle Tenant to terminate the Lease.

2. Consent to Assignment. Tenant understands that Landlord has assigned or will assign the Lease to Lender in connection with the Loan, and Tenant hereby consents to such assignment. Tenant is not aware of any prior assignment of the Lease by Landlord, except as follows (if none, state "None"):

_____
_____ .

3. No Modification of Lease; Lender Consents. Tenant shall not, without Lender's prior written consent, (a) amend, supplement, terminate (except to the extent permitted under Section 4, below) or otherwise modify the Lease; or (b) accept (and/or act in reliance on) the release, relinquishment or waiver by Landlord of any right with respect to the Lease. Any such termination, modification, acceptance or other action taken without such prior consent shall, at Lender's option, be void. Without limiting the generality of the foregoing, (i) any assignment or subletting by Tenant (or by any assignee or subtenant) which requires Landlord's consent shall also require Lender's consent, which consent shall not be unreasonably withheld and shall, at Lender's option, be void if such consent is not obtained, and (ii) any alteration to the Premises which requires Landlord's consent shall also require Lender's consent, which consent shall not be unreasonably withheld. Tenant shall not pay any rent or other amount due to Landlord under the Lease more than 10 days in advance of the due date.

4. Lender Cure Rights. Tenant shall not exercise any termination remedy upon a default by Landlord with respect to the Lease unless Tenant has first given Lender written notice of such default (at the address shown below or any other address hereafter supplied to Tenant by Lender) and such default is not cured within 30 days thereafter; provided that, if such default is nonmonetary, is curable by Lender, and (a) is of such a nature that it cannot reasonably be cured within 30 days or (b) the cure thereof by Lender requires Lender to have possession of the Property, then in either such event Tenant shall not exercise any termination remedy so long as Lender is diligently taking all steps required for Lender to cure the default (including pursuit of possession of the Property, to the extent required).

ADDRESS FOR NOTICES TO LENDER:

_____
_____
_____
_____
Attention: _____
with a copy to:
_____
_____
_____
_____
Attention: _____

5. Payments to Lender. Tenant shall make all payments under the Lease to Lender upon receiving a direction to pay from Lender, and shall comply with any such direction to pay without determining whether any default exists with respect to the Loan.

Landlord's Initials _____ Tenant's Initials _____

6. Agreements by Landlord. Landlord hereby agrees as follows:

6.1 Tenant shall have no liability to Landlord for any amount otherwise owing to Landlord under the Lease in the event that (a) Tenant receives a written demand from Lender to pay such amount to Lender and (b) Tenant thereafter pays such amount to Lender.

6.2 Tenant shall be entitled to assume that any such demand by Lender is valid and shall be under no obligation, and shall have no right, to inquire as to its validity, nor shall any claim by Landlord that such demand is invalid affect Tenant's right and obligation to pay all amounts demanded to Lender and thereupon be discharged of Tenant's obligation to pay such amounts to Landlord.

7. Subordination. All of Tenant's rights and interests with respect to the Premises and the Property under the Lease and all related documents (including, without limitation, any options to purchase and rights of first offer and first refusal) are and shall remain subject and subordinate to Lender's rights and interests in the Property under the Deed of Trust, the Assignment of Leases and all related loan and security documents, and to all amendments, supplements and other modifications now or hereafter executed with respect thereto, including without limitation modifications that substantially increase the obligations to Lender to which Tenant's interests are subordinated. Without limiting the generality of the foregoing, the provisions of the above-described loan and security documents shall prevail over any inconsistent provisions of the Lease relating to the disposition of insurance and condemnation awards.

8. Nondisturbance and Attornment. In the event of any judicial or nonjudicial foreclosure of the Deed of Trust or transfer by deed in lieu thereof, the Lease shall not terminate, nor shall Tenant's rights thereunder be disturbed, except in accordance with the terms of the Lease or any amendment or other applicable agreement executed by Tenant with respect thereto; provided, however, that the transferee of Landlord's interests pursuant to such foreclosure or other transfer shall not be (a) liable for any act or omission of any prior landlord under the Lease (including, without limitation, the breach of any representation or warranty made by any prior landlord unless such breach is caused by such transferee), (b) obligated to cure any default of any prior landlord under the Lease (other than nonmonetary default that remain uncured at the time of foreclosure) 1 (c) subject to any offsets or defenses which Tenant is entitled to assert against any prior landlord under the Lease, (d) bound by any payment of any amount owing under the Lease to any prior landlord which was made more than 10 days prior to the date due, (e) bound by any amendment or other modification to the Lease which was made subsequent to the date of this Agreement without the prior written consent of Lender (which shall not be unreasonably withheld) and which could adversely affect the landlord's interests, or (f) liable for the return to Tenant of any security or other deposit paid by Tenant to any prior landlord under the Lease except to the extent that such transferee actually receives such deposit. Tenant shall attorn to and accept any such transferee as the landlord under the Lease for the unexpired balance of the Lease term, and shall execute any document reasonably requested by such transferee to evidence such attornment. Tenant shall not be named in any foreclosure action related to the Deed of Trust.

9. Further Assurances. Each party hereto shall execute, acknowledge and deliver to each other party all documents, and shall take all actions reasonably required by such other party from time to time to confirm or effect the matters set forth herein, or otherwise to carry out the purposes of this Agreement.

10. Reference and Arbitration.

10.1 Mandatory Arbitration. Any controversy or claim between or among the parties that arises from or relates to this Agreement (including any controversy or claim based on or arising from an alleged tort) shall at the request of any party be determined by arbitration. The arbitration shall be conducted in accordance with the United States Arbitration Act (Title 9, U.S. Code), notwithstanding any choice of law provision in this Agreement and under the Commercial Rules of the AAA. The arbitrator(s) shall give effect to statutes of limitation in determining any claim. Any controversy concerning whether an issue is arbitrable shall be determined by the arbitrator(s). Judgment upon the arbitration award may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief.

10.2 Real Property Collateral. Notwithstanding the provisions of Section 10.1, no controversy or claim shall be submitted to arbitration without the consent of all parties if, at the time of the proposed submission, such controversy or claim arises from or relates to an obligation that is secured by real property collateral. If all parties do not consent to submission of such a controversy or claim to arbitration, the controversy or claim shall be determined by a

referee in accordance with California Code of Civil Procedure Sections 638 et seq. The parties shall designate to the court a referee or referees selected under the auspices of the American Arbitration Association ("AAA") in the same manner as arbitrators are selected in AAA- sponsored proceedings. The presiding referee of the panel, or the referee if there is a single referee, shall be an active attorney or retired judge. Judgment upon the award rendered by such referee or referees shall be entered in the court in which such proceeding was commenced in accordance with California Code of Civil Procedure Sections 644 and 645.

10.3 Provisional Remedies, Self-Help and Foreclosure. No provision of this Section 10 shall limit the right of any party to this Agreement to exercise self-help remedies such as setoff, foreclosure against or sale of any real or personal property collateral or security, or to obtain provisional or ancillary remedies (including provisional remedies such as claim and delivery and ancillary remedies such as the issuance of temporary restraining orders and preliminary injunctions pending submission of any action or cause of action to judicial reference or arbitration as otherwise required hereunder) from a court of competent jurisdiction before, after, or during the pendency of any arbitration or other proceeding. The exercise of a remedy does not waive the right of any party to resort to arbitration or reference.

11. Attorneys' Fees. In the event that any litigation, reference or arbitration shall be commenced concerning this Agreement, the party prevailing in such proceeding shall be entitled to recover, in addition to such other relief as may be granted, its reasonable costs and expenses, including, without limitation, reasonable attorneys' fees and costs (including the allocated costs for in-house counsel), whether or not taxable, as awarded by a court of competent jurisdiction, referee or arbitrator.

12. Reliance by Lender. Tenant understands that Lender will rely upon this Agreement in making the Loan and/or in entering into certain agreements and/or granting certain consents in connection therewith. Notice of acceptance of this Agreement by Lender is waived.

13. Miscellaneous. This Agreement shall bind, and shall inure to the benefit of, the successors and assigns of the parties. This document may be executed in counterparts with the same force and effect as if the parties had executed one instrument, and each such counterpart shall constitute an original hereof. This Agreement shall be governed by the laws of the State of California.

IN WITNESS WHEREOF, Tenant and Landlord have caused this Agreement to be duly executed as of the date first written above.

"Tenant"

_____ ,
a _____
By: _____
Name: _____
Its: _____
Date: _____

"Landlord"

_____ ,
a _____
By: _____
Name: _____
Its: _____
Date: _____

Landlord consents to, and agrees to be bound by, the provisions of Sections 4 through 13, inclusive, of the foregoing Agreement.

"Lender"

_____ ,
a _____
By: _____
Name: _____
Its: _____
Date: _____

END EXHIBIT P

Landlord's Initials  Tenant's Initials 

FIRST AMENDMENT TO LEASE

This First Amendment to Lease (the "***Amendment***"), dated November 11, 2011, for references purposes only, is made and entered into by and between Nassau Land Company, L.P., a California limited partnership (the "***Landlord***"), and Appfolio, Inc., a Delaware corporation (the "***Tenant***"), with reference to the following facts:

RECITALS:

A. Landlord is the owner of the real property and improvements consisting of approximately 43,277 square feet of leasable space located in the Castilian Technical Center situated at 50 Castilian Drive, Goleta, California (the "***Project***").

B. Landlord and Tenant entered into a Multi-Tenant Industrial Lease dated April 1, 2011 (the "***Original Lease***"), whereby Landlord leased to Tenant, and Tenant leased from Landlord, approximately 14,527 square feet of leasable space located within the Project and commonly known as 50 Castilian Drive, Suite 102, Goleta, California (the "***Original Premises***").

C. Tenant has exercised its Expansion Right, as more particularly described in Section K.4 of Exhibit K to the Original Lease, and Landlord and Tenant wish to amend the leased Premises to include space on the first (1st) floor of the Building located at 50 Castilian Drive commonly known as Suite 100, consisting of approximately 6,406 rentable square feet (the "***Specific Expansion Space***"), and to address other matters, including, without limitation, changes to the amount of Rent.

D. The parties have agreed to execute this Amendment in order to memorialize their understandings regarding certain amendments to the Lease.

E. All capitalized terms that appear in this Amendment and are not defined herein shall have the meaning ascribed thereto in the Lease.

AGREEMENTS:

NOW THEREFORE, the parties hereto, intended to be legally bound, do hereby agree and further amend the Lease as follows:

1. AMENDMENTS TO LEASE. Notwithstanding any other provisions of the Lease to the contrary, effective as of the date set forth above, the Lease is hereby amended as follows:

1.1 Delivery Date. Under the terms and conditions set forth in Section K.4 of Exhibit K to the Original Lease, Landlord shall deliver the Specific Expansion Space to Tenant, vacant and ready for any Tenant improvement work, on March 1, 2012 (the "***Delivery Date***").

1.2 Premises. Effective as of the Delivery Date, the Specific Expansion Space shall be part of the Premises under this Lease (so that the term "Premises" in this Lease shall refer to the Original Premises plus the Specific Expansion Space) and the Leased Premises shall consist of a total of 20,933 rentable square feet.

1.3 Lease Term. The Term of the Lease shall be extended to three (3) years from the first day of the full calendar month following the Delivery Date (the "***Extended Period***"). The last day of the Extended Period shall be February 28, 2015.

1.4 Rent.

(a) Minimum Monthly Rent. Effective on the Delivery Date, the Minimum Monthly Rent shall be the sum of $1.40 square foot per month payable in equal monthly installments of $29,306.20 (NNN).

(b) Rental Concession. Landlord hereby grants to Tenant a one time Rental Concession during the first (1st) month of the Extended Period in an amount equal to $1.40 per square foot of the Specific Expansion Space ($6,406.00).

(b) Adjustments to Minimum Monthly Rent. To be made at one (1)-year intervals in accordance to the provisions of the Original Lease. For the purposes of such adjustments, the Base Period shall be the month of December, 2011, the Base Period index shall be as determined herein, and the Comparison Period shall be the month of December preceding the Adjustments Date. The Adjustment Dates shall be March 1, 2013 and March 1, 2014.

1.5 Operating Expenses. Effective on the Delivery Date, Tenant's proportionate share of the Building Operating Expenses and the Project Operating Expenses each initially shall be forty-eight and 37/100 percent (48.37%).

1.6 Security Deposit. Effective on the Delivery Date, Tenant's Security Deposit shall be increased by $8,968.40 to $29,306.20.

1.7 Parking. Effective on the Delivery Date, Tenant shall be entitled to use an additional twenty-one (21) parking spaces in the parking area of the Project in accordance with the terms of the Original Lease.

1.8 Preparation of Specific Expansion Space. The Specific Expansion Space shall be leased to Tenant in its "as-is" condition, except that Landlord shall, at its sole cost and expense prior to the Delivery Date: (i) remove and modify all interior rooms within the Specific Expansion Space, as noted on Exhibit B-4 to the Original Lease, (ii) paint and carpet throughout the Specific Expansion Space using Landlord's standard choice of materials (Landlord and Tenant to mutually agree upon type and color of carpet and color of paint); (iii) install new lighting throughout the Specific Expansion Space using Landlord's standard choice of materials; (iv) repair or replace damaged ceiling areas in the Specific Expansion Space; (v) install network and power accessibility in the Specific Expansion Space and (vi) provide Tenant with an additional one-time Tenant Improvement Allowance, under the same terms and conditions set forth in Exhibit B to the Original Lease, in an amount not to exceed $2 per square foot of the Specific Expansion Space ($12,812.00) to be used for interior improvements.

2. MISCELLANEOUS.

2.1 In the event of any conflict between the terms of this Amendment and the terms of the Original Lease, the terms of this Amendment shall control.

2.2 This Amendment is the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior contemporaneous oral and written agreements and discussions with respect to the subject matter hereof.

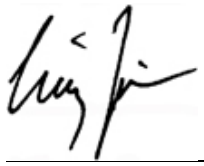
2.3 Landlord and Tenant represent and warrant that all signatories hereto signing in a representative capacity have been duly authorized by and on behalf of their respective principals to execute this Amendment.

AGREED THIS 23rd day of Nov 2011.

LANDLORD:

NASSAU LAND COMPANY, L.P.
a California limited partnership

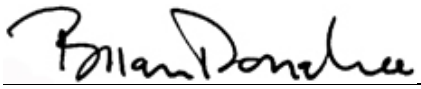
By: Michael Towbes Construction & Development, Inc., a California corporation
Its: General Partner

By: 

Its: Vice President

TENANT:

APPFOLIO, INC.,
a Delaware corporation

By: 
Brian Donohoo, its President

By: 
Karen Anne Platt, its CFO

SECOND AMENDMENT TO LEASE

This Second Amendment to Lease (the "***Amendment***"), dated February 23 2012, for references purposes only, is made and entered into by and between Nassau Land Company, L.P., a California limited partnership (the "***Landlord***"), and AppFolio, Inc., a Delaware corporation (the "***Tenant***"), with reference to the following facts:

RECITALS:

A. Landlord is the owner of the real property and improvements consisting of approximately 43,277 square feet of leasable space located in the Castilian Technical Center situated at 50 Castilian Drive, Goleta, California (the "***Building***").

B. Landlord and Tenant entered into a Multi-Tenant Industrial Lease dated April 1, 2011 (the "***Original Lease***"), whereby Landlord leased to Tenant, and Tenant leased from Landlord, approximately 14,527 square feet of leasable space located within the Project and commonly known as 50 Castilian Drive, Suite 102, Goleta, California (the "***Original Premises***").

C. Tenant exercised its Expansion Right, as more particularly described in Section K.4 of Exhibit K to the Original Lease, and Landlord and Tenant entered into the First Amendment to Lease (the "***First Amendment***") dated November 11, 2011 whereby the leased Premises was expanded to include space on the first (1st) floor of the Building located at 50 Castilian Drive commonly known as Suite 100, consisting of approximately 6,406 rentable square feet for a new Leased Premises totaling 20,933 square feet of leasable space (the "***Current Premises***"). The Original Lease and the First Amendment shall collectively be referred to herein as the "***Lease***."

D. The current Term of the Lease shall expire February 28, 2015.

E. Landlord and Tenant wish to further amend the leased Premises to include space on the second (2nd) floor of the Building located at 50 Castilian Drive commonly known as Suite 200, consisting of approximately 11,172 leasable square feet (the "***Upstairs Premises***"), and to address other matters, including, without limitation, changes to the amount of Rent.

F. The parties have agreed to execute this Amendment in order to memorialize their understandings regarding certain amendments to the Lease.

G. All capitalized terms that appear in this Amendment and are not defined herein shall have the meaning ascribed thereto in the Lease.

AGREEMENTS:

NOW THEREFORE, the parties hereto, intended to be legally bound, do hereby agree and further amend the Lease as follows:

1. AMENDMENTS TO LEASE. Notwithstanding any other provisions of the Lease to the contrary, effective as of the date set forth above, the Lease is hereby amended as follows:

1.1 Delivery Date. Landlord shall deliver the Upstairs Premises to Tenant, vacant and ready for any Tenant improvement work, on December 1, 2012 (the "***Delivery Date***").

1.2 Premises. Effective as of the Delivery Date, the Upstairs Premises shall be part of the Premises under this Lease (so that the term "***Premises***" in this Lease shall refer to the Current Premises plus the Upstairs Premises, as outlined in the Site Plan attached as Exhibit A to this Amendment, and the leased Premises shall consist of a total of 32,105 leasable square feet.

1.3 Lease Term. The Term of the Lease shall be extended to four (4) years from the first day of the first full calendar month from the Delivery Date (the "***Extended Period***"). The last day of the Extended Period shall be November 30, 2016.

1.4 Rent.

(a) Minimum Monthly Rent. Effective on the Delivery Date, the Minimum Monthly Rent shall be the sum of $1.45 square foot per month payable in equal monthly installments of $46,552.25 (NNN).

(b) Rental Concession. Landlord hereby grants to Tenant a one time Rental Concession during the first (1st) month of the Extended Period in an amount equal to $1.45 per square foot of the Upstairs Premises ($16,199.40).

(b) Adjustments to Minimum Monthly Rent. To be made at one (1)-year intervals in accordance with the provisions of the Original Lease. For the purposes of such adjustments, the Base Period shall be the month of September, 2012, the Base Period index shall be as determined herein, and the Comparison Period shall be the month of September preceding the Adjustment Dates. The Adjustment Dates shall be December 1, 2013 and on the first (1st) day of December every year thereafter.

1.5 Operating Expenses. Effective on the Delivery Date, Tenant's proportionate share of the Building Operating Expenses and the Project Operating Expenses each initially shall be seventy-four and 18/100 percent (74.18%).

1.6 Security Deposit. Effective on the Delivery Date, Tenant's Security Deposit shall be increased by $17,246.05 to $46,552.25.

1.7 Parking. Effective on the Delivery Date, Tenant shall be entitled to use an additional thirty-six (36) parking spaces in the parking area of the Project in accordance with the terms of the Lease.

1.8 Preparation of the Upstairs Premises. The Upstairs Premises shall be leased to Tenant in its "as-is" condition, except that Landlord shall, at its sole cost and expense prior to the Delivery Date: (i) remove and modify all interior rooms within the Upstairs Space per mutually acceptable space plan; (ii) paint and carpet throughout the Upstairs Premises using Landlord's standard choice of materials (Landlord and Tenant to mutually agree upon type and color of carpet and color of paint); (iii) install new lighting throughout the Upstairs Premises using Landlord's standard choice of materials; (iv) repair or replace damaged ceiling areas in the Upstairs Premises; (v) install network and power accessibility in the Upstairs Premises and (vi) provide Tenant with an additional one-time Tenant Improvement Allowance, under the same terms and conditions set forth in Exhibit B to the Original Lease, in an amount not to exceed $2 per square foot of the Upstairs Premises ($22,344.00) to be used for interior improvements. Tenant Improvements shall be consistent and similar to the scope of the existing improvements in the Current Premises. If Tenant does not utilize said Tenant Improvement Allowance by June 30, 2013, the Tenant Improvement Allowance shall become null and void and Tenant shall forever lose its right to utilize said allowance.

2. MISCELLANEOUS.

2.1 In the event of any conflict between the terms of this Amendment and the terms of the Lease, the terms of this Amendment shall control.

2.2 This Amendment is the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior contemporaneous oral and written agreements and discussions with respect to the subject matter hereof.

2.3 Landlord and Tenant represent and warrant that all signatories hereto signing in a representative capacity have been duly authorized by and on behalf of their respective principals to execute this Amendment.

AGREED THIS 27th day of Feb 2012.

LANDLORD:

NASSAU LAND COMPANY, L.P.
a California limited partnership

By: Michael Towbes Construction & Development, Inc., a California corporation
Its: General Partner

By: _____

Its: President

TENANT:

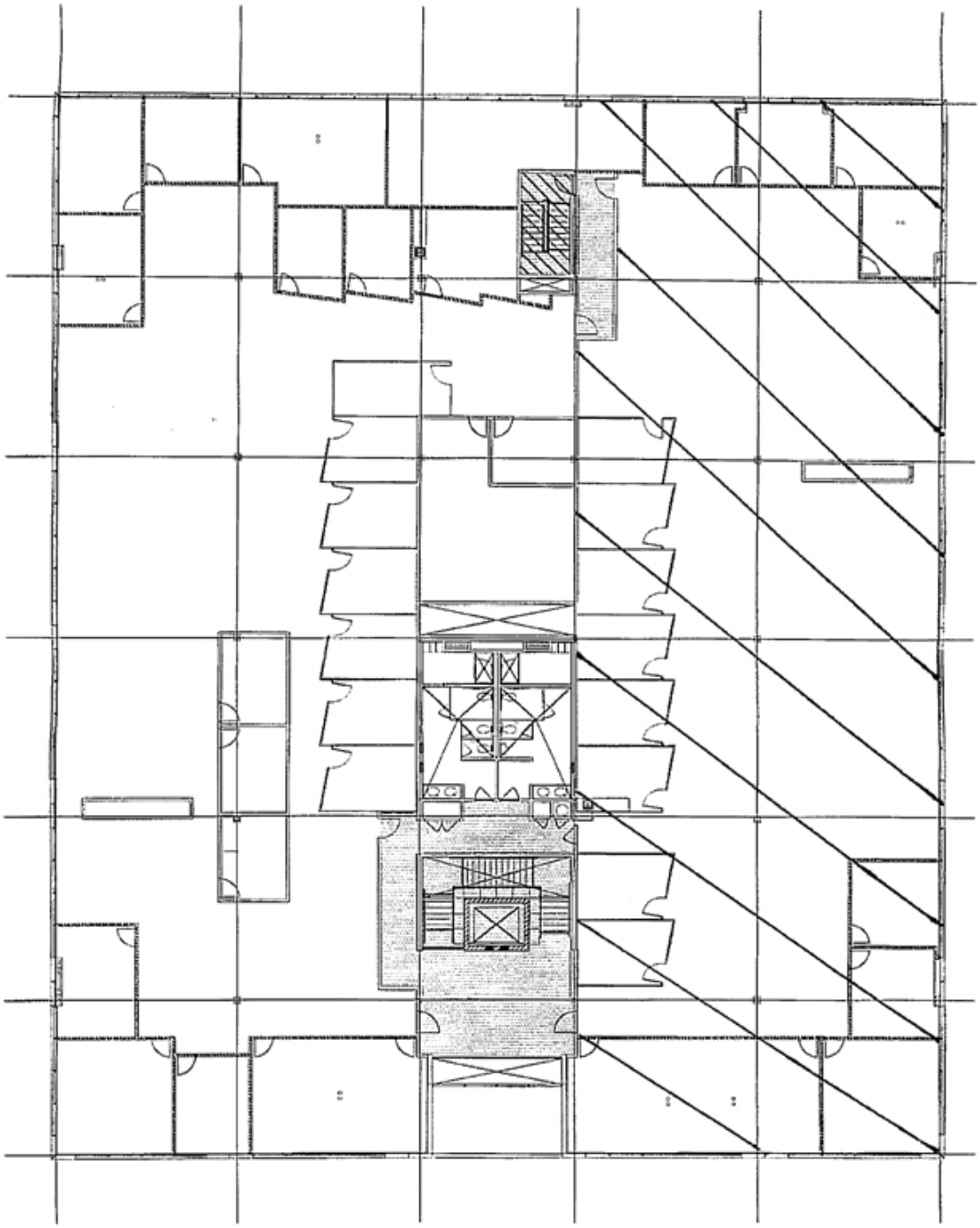
APPFOLIO, INC.,
a Delaware corporation

By: _____
Brian Donohoo, its President

By: _____
Karen Anne Platt, its CFO

EXHIBIT A

SUITE PLAN



50 CASTILIAN DRIVE

PORTION OF THE SECOND FLOOR- CONSISTING OF
APPROXIMATELY 11,172 SQUARE FEET

END OF EXHIBIT A

Landlord's Initials M.L.

Tenant's Initials

THIRD AMENDMENT TO LEASE

This Third Amendment to Lease (the "***Amendment***"), dated November 5, 2013 for references purposes only, is made and entered into by and between Nassau Land Company, L.P., a California limited partnership (the "***Landlord***"), and AppFolio, Inc., a Delaware corporation (the "***Tenant***"), with reference to the following facts:

RECITALS:

A. Landlord is the owner of the real property and improvements consisting of approximately 43,277 square feet of leasable space located in the Castilian Technical Center situated at 50 Castilian Drive, Goleta, California (the "***Building***").

B. Landlord and Tenant entered into a Multi-Tenant Industrial Lease dated April 1, 2011 (the "***Original tease***"), whereby Landlord leased to Tenant, and Tenant leased from Landlord, approximately 14,527 square feet of leasable space located within the Project and commonly known as 50 Castilian Drive, Suite 102, Goleta, California (the "***Original Premises***").

C. Tenant exercised its Expansion Right, as more particularly described in Section K.4 of Exhibit K to the Original Lease, and Landlord and Tenant entered into the First Amendment to Lease (the "***First Amendment***") dated November 11, 2011 whereby the leased Premises was expanded to include space on the first (1st) floor of the Building located at 50 Castilian Drive commonly known as Suite 100, consisting of approximately 6,406 rentable square feet.

D. Landlord and Tenant entered into the Second Amendment to Lease dated February 23, 2012 (the "***Second Amendment***") whereby the leased Premises was expanded to include space on the second (2nd) floor of the Building located at 50 Castilian Drive commonly known as Suite 200, consisting of approximately 11,172 rentable square feet. The Original Lease, the First Amendment and the Second Amendment shall collectively be referred to herein as the "***Lease***."

E. The Leased Premises is currently a total of approximately 32,105 rentable square feet (the "***Current Premises***").

F. The current Term of the Lease shall expire November 30, 2016.

G. Landlord and Tenant wish to further amend the leased Premises to include the remaining space of the Building located at 50 Castilian Drive commonly known as Suite 202, consisting of approximately 11,172 leasable square feet (the "***Expansion Premises***"), and to address other matters, including, without limitation, changes to the amount of Rent.

H. The parties have agreed to execute this Amendment in order to memorialize their understandings regarding certain amendments to the Lease.

I. All capitalized terms that appear in this Amendment and are not defined herein shall have the meaning ascribed thereto in the Lease.

AGREEMENTS:

NOW THEREFORE, the parties hereto, intended to be legally bound, do hereby agree and further amend the Lease as follows:

1. AMENDMENTS TO LEASE. Notwithstanding any other provisions of the Lease to the contrary, effective as of the date set forth above, the Lease is hereby amended as follows:

1.1 Delivery Date. Provided Tenant delivers all necessary permits to their contractor for their initial tenant improvements, The Towbes Group, Inc, no later than January 1, 2014, Landlord shall deliver the Expansion Premises to Tenant, vacant and ready for any Tenant improvement work, on or before March 1, 2014 (the "***Delivery Date***").

1.2 Premises. Effective as of the Delivery Date, the Expansion Premises shall be part of the Premises under this Lease, so that the term "***Premises***" in this Lease shall refer to the Current Premises plus the Expansion Premises, as outlined in the Site Plan attached as Exhibit A to this Amendment, and the leased Premises shall consist of a total of 43,277 leasable square feet.

1.3 Lease Term. The Term of the Lease shall be extended to four (4) years from March 1, 2014 (the "***Extended Period***"). The last day of the Extended Period shall be February 28, 2018.

1.4 Rent.

(a) Minimum Monthly Rent. Effective on the Delivery Date, the Minimum Monthly Rent shall be the sum of $1.45 square foot per month payable in equal monthly installments of $62,751.65 (NNN).

(b) Rental Concession. Landlord hereby grants to Tenant a one-time Rental Concession for the period of March 1, 2014 through April 30, 2014 in an amount equal to $1.45 per square foot per month of the Expansion Premises ($16,199.40 per month for a total of $32,398.80).

(c) Adjustments to Minimum Monthly Rent. To be made at one (1)-year intervals in accordance with the provisions of the Original Lease. For the purposes of such adjustments, the Base Period shall be the month of January 2014, the Base Period index shall be as determined herein, and the Comparison Period shall be the month of January preceding the Adjustment Dates, The Adjustment Dates shall be March 1, 2015 and on the first (1st) day of March every year thereafter.

1.5 Operating Expenses. Effective on the Delivery Date, Tenant's proportionate share of the Building Operating Expenses and the Project Operating Expenses each shall be one hundred percent (100%).

1.6 Security Deposit. Effective on the Delivery Date, Tenant's Security Deposit shall be increased by $16,199.40 to $62,751.65.

1.7 Parking. Effective on the Delivery Date, Tenant shall be entitled to use an additional thirty-six (36) parking spaces in the parking area of the Project in accordance with the terms of the Lease, for a total of one hundred forty (140).

1.8 Preparation of the Upstairs Premises. The Expansion Premises shall be leased to Tenant in its "as-is" condition, except that Landlord shall, at its sole cost and expense prior to the Delivery Date: (i) remove and modify all interior rooms within the Expansion Premises per mutually acceptable space plan; (ii) paint and carpet throughout the Expansion Premises using Landlord's standard choice of materials (Landlord and Tenant to mutually agree upon type and color of carpet and color of paint); (iii) install new lighting throughout the Expansion Premises using Landlord's standard choice of materials; (iv) repair or replace damaged ceiling areas in the Expansion Premises; (v) install network and power accessibility in the Expansion Premises; (vi) recarpet the stairwells, the second (2nd) floor landing and the second (2nd) floor restroom vestibules consistent with Tenant's existing carpet specifications; and (vii) provide Tenant with an additional one-time Tenant Improvement Allowance, under the same terms and conditions set forth in Exhibit B to the Original Lease, in an amount not to exceed $3 per square foot of the Expansion Premises ($33,516.00) to be used for interior and lobby improvements. Tenant Improvements shall be consistent and similar to the scope of the existing improvements in the Current Premises. If Tenant does not utilize said Tenant improvement Allowance by December 31, 2014, the Tenant Improvement Allowance shall become null and void and Tenant shall forever lose its right to utilize said allowance.

1.9 Signage. Tenant shall have exclusive signage for the Building and shall be allowed to add or relocate, at Tenant's sole cost and expense, additional signage on the exterior of the Premises, subject to City approval and consistent with the Project sign plan, as detailed in Exhibit I to the Original Lease.

1.10 Lobby. Tenant shall have exclusive use of the main lobby in the Building and shall be allowed to update the finishes, at Tenant's sole cost and expense and subject to Landlord's reasonable approval.

1.11 Brokerage. Landlord and Tenant acknowledge that Hayes Commercial Group represents the Landlord and Tenant. Landlord shall pay broker a fee per a separate agreement.

2. MISCELLANEOUS.

2.1 In the event of any conflict between the terms of this Amendment and the terms of the Lease, the terms of this Amendment shall control.

2.2 This Amendment is the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior contemporaneous oral and written agreements and discussions with respect to the subject matter hereof.

2.3 Landlord and Tenant represent and warrant that all signatories hereto signing in a representative capacity have been duly authorized by and on behalf of their respective principals to execute this Amendment.

AGREED THIS 13th day of Nov 2013.

LANDLORD:

NASSAU LAND COMPANY, L.P.
a California limited partnership

By: Michael Towbes Construction & Development, Inc., a California corporation
Its: General Partner

By: _____

TENANT:

APPFOLIO, INC.,
a Delaware corporation

By: Brian Donahoo
Brian Donohoo, its President

NASSAU LAND COMPANY, L.P.
MULTI-TENANT INDUSTRIAL LEASE

THIS MULTI-TENANT INDUSTRIAL LEASE ("Lease") dated February 17, 2015 for reference purposes only, is made and entered into by and between the Landlord and the Tenant identified in the Basic Provisions set forth below. This Lease consists of the Basic Provisions together with the Attachments and Exhibits listed in Paragraph I of the Basic Provisions.

BASIC PROVISIONS

These Basic Provisions set forth certain information relevant and fundamental to the Standard Terms and Conditions upon which this Lease is made, and all information set forth in these Basic Provisions is subject to the provisions of the Standard Terms and Conditions of this Lease.

A. Landlord

(1)	Name of Landlord:	NASSAU LAND COMPANY, L.P. a California limited partnership
(2)	Landlord's Trade Name:	Castilian Technical Center
(3)	Landlord's Address:	c/o The Towbes Group, Inc. 21 E. Victoria Street, Suite 200 Santa Barbara, California 93101
(4)	Landlord's Remit Address:	P.O. Box 20130 Santa Barbara, California 93120

B. Tenant

(1)	Name of Tenant(s):	APPFOLIO, INC., a Delaware corporation
(2)	Tenant's Trade Name:	AppFolio
(3)	Tenant's Mailing Address:	50 Castilian Drive, Suite 102 Goleta, CA 93117
(4)	Tenant's Billing Address:	Same as Mailing Address
(5)	Tenant's address if Tenant is no longer in Building:	Stradling Yocca Carlson & Rauth 800 Anacapa Street, Suite A, Santa Barbara, CA 93101 Attn: David Lafitte, Esq.

C. Leased Premises (Article 1)

(1) Description of Premises (Section 1.1)

(a) The office space or other unit or area known as Suites 200 and 210 (collectively "the Premises") located on the second floor of the Building known as 90 Castilian Drive (the "Building), as outlined on the Site Plan attached as Exhibit A, located in the Castilian Technical Center situated at 90 Castilian Drive, in the City of Goleta, County of Santa Barbara, State of California (herein the "Project").

(b) Landlord and Tenant mutually agree that Suites 200 and 210 consist of a total of 18,635 leasable square feet with the following square feet allocated between them:

i) Suite 200: 8,758 square feet

ii) Suite 210: 9,877 square feet

(c) The Project initially consists of approximately 35,939 square feet of leasable space.

Landlord's Initials /s/ [ILLEGIBLE]_____ Tenant's Initials /s/ BD, /s/ BL_____

(d) As of the date of this Lease, Suite 210 is occupied by another tenant (the "Existing Tenant") with a lease in effect that will expire on August 31, 2015.

(2) Parking (Section 1.3)

(a) Effective on the Commencement Date, as defined below, Tenant shall have the non-exclusive use of the common area parking lot not to exceed twenty-eight (28) unreserved spaces.

(b) Effective on the date upon which the Existing Tenant vacates Suite 210, Tenant shall have the non-exclusive use of the common area parking lot not to exceed sixty (60) unreserved spaces.

(c) Tenant's employees may not use any common area parking spaces situated on the Premises other than those assigned to Tenant pursuant to subparagraphs (a) and (b), above.

(3) Preparation of Premises; Occupancy (Section 1.4)

(a) The Landlord's work, as reflected on Exhibit B, shall be required by Landlord to prepare the Premises for occupancy by Tenant.

(b) The delivery dates of the Premises shall be as follows:

i) Suite 200 shall be delivered to Tenant on July 1, 2015 (the "First Delivery Date").

ii) Suite 210 shall be delivered to Tenant ninety (90) days following the later of August 31, 2015 or the date upon which the Existing Tenant vacates the suite (the "Second Delivery Date"). The Second Delivery Date is estimated to be December 1, 2015.

D. Term of Lease (Article 2)

(1) Effective Date: Upon Lease execution.

(2) Commencement Date: The Commencement Date shall be the First Delivery Date (July 1, 2015).

(3) Term. The initial Term of the Lease shall be the period between the First Delivery Date and the Second Delivery Date, plus a period of five (5) years measured from the first day of the first full calendar month following the Second Delivery Date. The last day of the initial Term is estimated to be November 30, 2020.

E. Rent (Article 3)

(1) Minimum Monthly Rent. The Minimum Monthly Rent shall initially be $1.45 per square foot per month, NNN, due on or before the first day of each month payable in monthly installments in accordance with the following:

Suite 200: Effective on the Commencement Date, the Minimum Monthly Rent for Suite 200 shall be $1.45 per square foot per month on 4,379 square feet payable in monthly installments of $6,349.55. Effective one hundred eighty (180) days following the Commencement Date, the Minimum Monthly Rent shall be $1.45 per square foot per month on the total square footage of Suite 200 (8,758 sf) payable in monthly installments of $12,699.10.

Suite 210: Effective on the Second Delivery Date, the Minimum Monthly Rent for Suite 210 shall be $1.45 per square per month on 4,939 square feet payable in monthly installments of $7,161.55. Effective ninety (90) days following the Second Delivery Date, the Minimum Monthly Rent shall be $1.45 per square foot per month on the total square footage of Suite 210 (9,877 sf) payable in monthly installments of $14,321.65.

(2) Adjustment to Minimum Monthly Rent (Section 3.1) The Minimum Monthly Rent for the total Premises shall be increased by three percent (3%) on December 1, 2016 and on the first day of December annually thereafter.

(3) Late Processing Charge. (Section 3.3) The sum of five percent (5%) of each delinquent payment.

Landlord's Initials /s/ [ILLEGIBLE] Tenant's Initials /s/ BD, /s/ BL

(4) Prepaid Rent. (Section 3.4) $8,626.55 ($6,349.55 for Minimum Monthly Rent, plus $2,277.00 for Total Operating Costs), all of which shall be for the first full month of the Term.

(5) Security Deposit. (Section 3.5) $27,020.75 ($1.45 x 18,635 sf).

F. Landlord's Common Area and Operating Costs (Article 7) *(Continued on Exhibit K attached hereto.)*

Tenant shall reimburse Landlord for Tenant's proportionate share of Landlord's Total Operating Costs in the manner and to the extent provided in Article 7 of the Standard Terms and Conditions.

G. Use by Tenant (Article 8)

Tenant shall use and occupy the Premises for general office and for no other purpose.

H. Insurance (Article 13)

(1) Liability Insurance Required of Tenant. Tenant to provide its own liability insurance for bodily injury and property damage with single limit coverage in the amount of:

☒ $2,000,000

☐ $_____

(2) Endorsements. Tenant shall procure and maintain throughout the term of the Lease the following policy endorsements with initial limits not less than those indicated below:

	YES	NO	AMOUNT
(a) Automobile Liability:	☒	☐	$1,000,000
(b) Plate Glass Insurance:	☒	☐	100% replacement cost. Up to $20,000 with a $1,000 deductible.
(c) Boiler and Machinery Insurance	☐	☒	100% replacement cost.
(d) Rent Continuation:	☒	☐	In the amount of the Minimum Monthly Rent due hereunder for no less than three (3) months.
(e) Vandalism:	☒	☐	100% replacement cost.
(f) Tenant Fire Insurance:	☒	☐	100% replacement cost.

(5) Subrogation. Landlord and Tenant intend that their respective property loss risks shall be borne by reasonable insurance carriers to the extent above as provided herein, and Landlord and Tenant hereby agree to look solely to, and seek recovery only from, their respective insurance carriers in the event of a property loss to the extent that such coverage is agreed to be provided hereunder. The parties each hereby waive all rights and claims against each other for to the extent of such losses, and waive all rights of subrogation of their respective insurers, provided such waiver of subrogation shall not affect the right of the insured to recover thereunder. The parties agree that their respective insurance policies are now, or shall be, endorsed such that the waiver of subrogation shall not affect the right of the insured to recover thereunder, so long as no material additional premium is charged therefor.

I. Attachments and Exhibits: Tenant's Financial Statement(s)

Landlord has delivered to Tenant, and Tenant hereby acknowledges receipt of, each of the following, which are incorporated into this Lease by reference (Landlord and Tenant to initial in applicable blank spaces):

Landlord's Initials /s/ [ILLEGIBLE]_____ Tenant's Initials /s/ BD, /s/ BL_____

Landlord	Tenant	
/s/ [Illegible]	/s/ BD	Standard Terms and Conditions
/s/ [Illegible]	/s/ BD	Attachment 1: Rules and Regulations

Landlord	Tenant	
/s/ [Illegible]	/s/ BD	Exhibit A: Site Plan
/s/ [Illegible]	/s/ BD	Exhibit B: Landlord's Work
_____	_____	~~Exhibit C: Adjustment to Minimum Monthly Rent~~
_____	_____	~~Exhibit D:~~
_____	_____	~~Exhibit E:~~
/s/ [Illegible]	/s/ BD	Exhibit F: Real Estate Commissions
/s/ [Illegible]	/s/ BD	Exhibit G: Option to Renew
/s/ [Illegible]	/s/ BD	Exhibit H: Additional Governmental Conditions & Requirements
/s/ [Illegible]	/s/ BD	Exhibit I: Sign Plan
_____	_____	~~Exhibit J:~~
/s/ [Illegible]	/s/ BD	Exhibit K: Supplemental Terms and Conditions
/s/ [Illegible]	/s/ BD	Exhibit L: Form of Estoppel Certificate
/s/ [Illegible]	/s/ BD	Exhibit M: Commencement Memorandum
/s/ [Illegible]	/s/ BD	Exhibit N: Prohibited Uses
_____	_____	~~Exhibit O:~~
/s/ [Illegible]	/s/ BD	Exhibit P: Nondisturbance Agreement

Tenant agrees to provide Landlord annually, within six (6) months after the end of Tenant's fiscal year (12/31), with a financial statement (consisting of a Profit and Loss Statement and Balance Sheet) for said fiscal year certified by Tenant to be true and correct.

IN WITNESS WHEREOF, the parties hereto have executed this Lease on the date set forth opposite their respective names and respectively warrant that the persons executing this Lease are duty authorized and empowered to do so.

LANDLORD AND TENANT HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN AND, BY EXECUTION OF THIS LEASE, SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALLY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LANDLORD AND TENANT WITH RESPECT TO THE PREMISES.

LANDLORD:

Date: 4/3, 2015

Federal ID#

NASSAU LAND COMPANY, L.P., a California limited partnership

By: Michael Towbes Construction & Development, Inc., a California corporation
Its: General Partner

By: /s/ [ILLEGIBLE]

Its: President

TENANT:

Date: 24/ March, 2015

Federal ID #

APPFOLIO, INC., a Delaware corporation

By: /s/ Brian Donahoo
Brian Donahoo

Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

Its: President and CEO

By: /s/ Brett Little
Brett Little
Its: VP Finance

Landlord's Initials /s/ [ILLEGIBLE] Tenant's Initials /s/ BD, /s/ BL

NASSAU LAND COMPANY, L.P.
MULTI-TENANT INDUSTRIAL LEASE
STANDARD TERMS AND CONDITIONS

Table of Contents

THE SUBMISSION OF THIS DOCUMENT FOR EXAMINATION AND NEGOTIATION DOES NOT CONSTITUTE AN OFFER TO LEASE, OR A RESERVATION OF, OR OPTION FOR, THE PREMISES; THIS DOCUMENT BECOMES EFFECTIVE AND BINDING ONLY UPON EXECUTION AND DELIVERY HEREOF BY LANDLORD. NO ACT OR OMISSION OF ANY EMPLOYEE OR AGENT OF LANDLORD OR OF LANDLORD'S BROKER SHALL ALTER, CHANGE OR MODIFY ANY OF THE PROVISIONS HEREOF.

NASSAU LAND COMPANY, L.P.
MULTI-TENANT INDUSTRIAL LEASE
STANDARD TERMS AND CONDITIONS

THESE STANDARD TERMS AND CONDITIONS constitute an integral part of this Multi-Tenant Industrial Lease. Each reference in the Standard Terms and Conditions to information set forth in the Basic Provisions of this Lease shall be construed to incorporate all of the information to which reference is made. Any conflict between these Standard Terms and Conditions and the information set forth in the Basic Provisions shall be controlled by the terms of these Standard Terms and Conditions.

1. LEASED PREMISES

1.1 Description of Premises. As used herein, the term "Premises" shall mean the office space or other unit as are described in the Basic Provisions, the boundaries and location of which are designated on the attached Site Plan (Exhibit A), which said Premises are now existing or will be part of the building containing the Premises (the "Building") and are more fully described in Section C of the Basic Provisions. Unless the context otherwise requires, the Premises shall include that portion of the Building and other improvements presently situated or to be constructed in the location so outlined on said Site Plan, and all fixtures heretofore or hereafter to be installed by Landlord therein, but shall exclude the roof and the exterior surface of all exterior walls of such Building and improvements, except as specifically allowed hereunder. The Premises, the Building, the Common Areas (as defined below), the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the "Project."

1.2 Common Areas. Subject to Article 6 of this Lease, Landlord shall make available at all times during the term of this Lease, such automobile parking and other common areas within the exterior boundaries of the land and Building of which the Premises are a part. The term "Common Area(s)" shall mean all the portions of the Building which are not specifically leased or specifically available for lease to tenants and which have at the time in question been designated and improved for common use by or for the benefit of more than one tenant or concessionaire of the Building, including any of the following (the specific recitation of which shall not be deemed to limit the definition of "Common Area"): the land and facilities utilized as parking areas; access and perimeter roads; truck passageways (which may be in whole or in part subsurface); arcades; landscaped areas; exterior walks; stairways; stairs; directory equipment; ramps; drinking fountains; toilets and other public facilities; and bus stations and taxi stands; but excluding any portion thereof when designated by Landlord for a noncommon use, provided any portion of the Building which was not included within the Common Area shall be so included when so designated and improved for common use. All of the Common Area shall be subject to the exclusive control and management of Landlord or such other persons or nominees as Landlord may have delegated or assigned to exercise such management or control, in whole or in part, in Landlord's place and stead. Tenant acknowledges that Landlord makes no representation or warranty whatsoever concerning the safety of the Common Area or the adequacy of any security system which is or may be instituted for the Common Area. In no event shall Tenant have the right to sell or solicit in any manner in the Common Area. As long as Tenant is not in default under this Lease, Tenant shall have the non-exclusive right to use in common with other Tenants of the Building the common areas and facilities included in the Building together with such easements for ingress and egress as are necessary for Tenant's use and occupancy of the Premises.

1.3 Parking Facilities. Tenant acknowledges and agrees that any parking spaces provided by Landlord in and around the Building or Premises are solely for the convenience of the customers of Tenant and of other tenants of the Building, and that no portion of any such parking facilities is reserved for Tenant, its employees or its customers unless otherwise specifically designated by Landlord in the Basic Provisions. Landlord expressly reserves the right to establish and enforce reasonable rules and regulations throughout the Term of this Lease concerning the use of the parking area, and Landlord shall be entitled to tow away vehicles parked in violation of such rules. Tenant agrees that Tenant and its employees will not park in the parking area serving the Building except in that area, if any, specifically designated in writing by Landlord for that purpose. Upon the request of Landlord, Tenant shall provide Landlord on a periodic basis with a current list of Tenant's employees and their respective vehicle license numbers, and shall promptly notify Landlord of any changes in such list.

1.4 Preparation of Premises; Occupancy.

1.4.1 If so provided in the Basic Provisions, Landlord agrees to perform any work identified in Exhibit B as Landlord's work, and to cause the Premises to be ready for occupancy by Tenant on or before the Commencement Date set forth in the Basic Provisions. In the event Landlord is required to perform any work prior to Tenant's occupancy, the Premises shall be deemed ready for occupancy as of the date Landlord has notified Tenant in writing that Landlord has substantially completed all of the work required to be done by Landlord as reflected in Exhibit B, and the initial Term of this Lease shall commence on the date of such notice unless a different date is specified in the Basic Provisions.

1.4.2 If for any reason Landlord cannot deliver possession of the Premises to Tenant on the delivery dates provided in the Basic Provisions, this Lease shall not be void or voidable, nor shall Landlord be liable to Tenant for any loss or damage resulting therefrom, but the Term of this Lease shall be extended until the Premises are ready for occupancy by Tenant; provided, however, that if Landlord is unable to deliver possession of the Premises to Tenant within sixty (60) days after the relevant delivery date, Tenant may terminate this Lease by giving written notice to Landlord and thereupon both parties hereto shall be relieved and discharged of all liability hereunder.

1.5 Reserved Rights. After providing Tenant with twenty-four (24) hours prior notice, unless in the case of an emergency, Landlord reserves the right to enter the Premises during normal business hours for any reason upon reasonable notice to Tenant and/or to undertake the following, all without abatement of rent or liability to Tenant:

1.5.1 Inspect the Premises and/or the performance by Tenant of the terms and conditions hereof;

1.5.2 Make such alterations, repairs, improvements or additions to the Premises as required hereunder; change boundary lines of the Common Areas;

1.5.3 Install, use, maintain, repair, alter, relocate or replace any pipes, ducts, conduits, wires, equipment and other facilities in the Building;

1.5.4 Grant easements on the Project (with thirty (30) days prior notice);

1.5.5 Dedicate for public use portions thereof and record covenants, conditions and restrictions ("CC&Rs") affecting the Project and/or amendments to existing CC&Rs which do not unreasonably interfere with Tenant's use of the Premises or impose additional material monetary obligations on Tenant;

1.5.6 Change the name of the Project;

1.5.7 Affix reasonable signs and displays as well as post and maintain any notice deemed necessary by Landlord for the protection of its interest (including, without limitation, notices of nonresponsibility);

1.5.8 Show the Premises to prospective tenants during the last six (6) months of the Term.

2. TERM OF LEASE

2.1 Initial Term. The initial term of the Lease (the "Term") shall begin on the Commencement Date specified in the Basic Provisions. Subject to extension or sooner termination as hereinafter provided, this Lease shall continue for the Term specified in the Basic Provisions. If the Term of this Lease begins on a day other than the first day of a calendar month, the initial Term of this Lease shall be adjusted to commence on the first day of the first full calendar month after the Commencement Date.

2.2 Possession. Tenant's possession of the Premises prior to the Commencement, if any, shall be subject to all the provisions of this Lease (except for the payment of Rent) and shall not advance the expiration date. Tenant shall upon demand acknowledge in writing the Possession Date in the form attached hereto as Exhibit M.

2.3 Rent Commencement Date. Unless otherwise specified in the Basic Provisions, the "Rent Commencement Date" shall be the same date as the Commencement Date. In the event the Commencement Date does not fall on the first (1st) day of a calendar month, Rent during any partial month shall be prorated on the basis of a thirty (30) day month, and shall be due and payable on or before the Commencement Date.

3. RENT

3.1 Minimum Monthly Rent.

3.1.1 Tenant agrees to pay to Landlord a Minimum Monthly Rent, initially in the amount set forth in the Basic Provisions, during each month of the Term of this Lease. Minimum Monthly Rent for a period constituting less than a full month shall be prorated on the basis of a thirty (30)-day month.

3.1.2 If so provided in the Basic Provisions, the Minimum Monthly Rent shall be adjusted at the times specified and in the manner provided in the Basic Provisions, and Tenant agrees to pay Landlord the Minimum Monthly Rent, as so adjusted, at the times and in the manner provided by this Lease.

3.1.3 Landlord shall have no obligation to notify Tenant of any increase in Minimum Monthly Rent, and Tenant's obligation to pay all Minimum Monthly Rent (and any increases) when due shall not be modified or altered by such lack of notice from Landlord. Acceptance of a payment of Rent that is less than the amount then due shall not be a waiver of Landlord's rights to the balance of such Rent, regardless of Landlord's endorsement of or deposit of any check so stating.

3.2 Additional Rent. All sums other than Minimum Monthly Rent which Tenant is obligated to pay under this Lease, including late charges and interest as set forth in Section 3.3 below, shall be deemed to be additional rent due hereunder, whether or not such sums are designated "additional rent." The term "Rent" means the Minimum Monthly Rent and all additional amounts payable by Tenant under the Lease (including, but not limited to, late charges and interest). Acceptance of a payment of Rent that is less than the amount then due shall not be a waiver of Landlord's rights to the balance of such Rent, regardless of Landlord's endorsement of or deposit of any check so stating.

3.3 Time and Manner of Payment.

3.3.1 Tenant agrees that all Rent payable by Tenant hereunder shall be paid by Tenant to Landlord by check or certified funds not later than the close of business on the day on which first due, without any deduction, setoff, prior notice or demand, except as expressly set forth in this Lease. All Rents shall be paid in lawful money of the United States at such place as Landlord shall designate to Tenant from time to time in writing. Landlord agrees that Tenant may, at Tenant's risk, use United States mail for delivery of Rent. Landlord's receipt and deposit of any check shall not constitute satisfaction of Tenant's rental payment obligations until said check is paid in full by the bank upon which it is drawn.

3.3.2 Should Tenant fail to make any payment of Rent within five (5) business days of the date when such payment first becomes due, or should any check tendered in payment of Rent be returned to Landlord by Tenant's bank for any reason, then Tenant shall pay to Landlord, in addition to such Rental payment, a late processing charge in the amount specified in the Basic Provisions, which the parties agree is a reasonable estimate of the amount necessary to reimburse Landlord for the damages and additional costs not contemplated by this Lease that Landlord will incur as a result of the delinquent payment or returned check, including processing and accounting charges and late charges that may be imposed on Landlord by its lender. If Tenant fails to make payment within said five (5)- business day period, the entire amount then due, including said late charge, shall thereafter bear interest at the then-current federal discount rate in San Francisco plus two percent (2%). Should Tenant fail to make payment of any Rental payment(s) due hereunder within five (5) business days of the date when such payment(s) first become due on three (3) occasions in any twelve (12) month period, Landlord, at its option, may require Tenant to prepay Rent on a quarterly basis thereafter. Moreover, in the event any of Tenant's checks are returned for insufficient funds or other reasons not the fault of Landlord, Tenant agrees to pay Landlord the sum of twenty-five dollars ($25.00) in addition to any Late Charge and Landlord shall have the right any time thereafter to require that all future payments due from Tenant under this Lease for the next one (1)-year period be made by money order or by certified or cashier's check.

3.3.3 Landlord will apply Tenant's payments first to accrued late charges and attorney's fees, second to accrued interest, then to Minimum Monthly Rent and Common Area Expenses, and any remaining amount to any other outstanding charges or costs.

3.4 Prepaid Rent. Tenant shall pay to Landlord upon execution of this Lease Prepaid Rent, if any, in the amount specified in the Basic Provisions, which shall be allocated toward the payment of rent for the months specified in the Basic Provisions. If Tenant is not in default of any of the provisions of this Lease, the Rent prepaid by Tenant for the last month of the term of this Lease, if any, shall be reduced by the amount so allocated in the Basic Provisions.

3.5 Security Deposit. Tenant shall deposit with Landlord upon execution of this Lease the amount specified in the Basic Provisions as a Security Deposit for the performance by Tenant of its obligation under this Lease. Tenant agrees that if Tenant defaults in its performance of this Lease, or in the payment of any sums owing to Landlord, or in the payment of any other sums required from Tenant under the provisions of this Lease, then Landlord may, but shall not be obligated to, use the Security Deposit, or any portion thereof, to cure such default or to compensate Landlord for any damage, including late charges and costs of enforcement, sustained by Landlord resulting from Tenant's default or nonpayment. If Landlord does so apply any portion of the Security Deposit, Tenant shall immediately pay Landlord sufficient cash to restore the Security Deposit to the amount of the then current Minimum Monthly Rent. If Tenant is not in default at the expiration or termination of this Lease, Landlord shall return the unexpended portion of the Security Deposit to Tenant within sixty (60) days following expiration or termination of this Lease, without interest. Landlord's obligations with respect to the Security Deposit shall be those of debtor, and not of a trustee, and Landlord shall be entitled to commingle the Security Deposit with the general funds of Landlord.

4. INTENTION OF PARTIES

4.1 Negation of Partnership. Nothing in this Lease is intended, and no provision of this Lease shall be construed, to make Landlord a partner of or a joint venturer with Tenant, or associated in any other way with Tenant in the Tenant's operation of the Premises (other than the relationship of landlord and tenant), or to subject Landlord to any obligation, loss, charge or expense resulting from or attributable to Tenant's operation or use of the Premises.

4.2 Real Estate Commissions. Each party represents and warrants to the other that it has not utilized the services of any real estate broker or other person who could claim any fee or commission from the other (other than the person(s) identified on Exhibit F attached hereto) in connection with Tenant entering into this Lease. Tenant warrants to Landlord that Tenant's sole contact with Landlord or with the Premises in connection with this transaction has been directly with Landlord, Landlord's Broker and Tenant's Broker specified in Exhibit F, and that no other broker or finder can properly claim a right to a commission or a finder's fee based upon contacts between the claimant and Tenant. Subject to the foregoing, Tenant agrees to indemnify and hold Landlord harmless from any claims or liability, including reasonable attorneys' fees, in connection with a claim by any person for a real estate broker's commission, finder's fee or other compensation based upon any statement, representation or agreement of Tenant, and Landlord agrees to indemnify and hold Tenant harmless from any such claims or liability, including reasonable attorneys' fees, based upon any statement, representation or agreement of Landlord.

5. PROPERTY TAXES AND ASSESSMENTS

5.1 Personal Property Taxes. Tenant shall pay before delinquency all taxes assessed against any personal property and/or leasehold improvements of Tenant installed or located in or upon the Premises and that become payable during the Term of this Lease. Tenant agrees to cooperate with Landlord to identify to the Assessor all Tenant improvements to the Premises.

5.2 Real Property Taxes. (*Continue on Exhibit K attached hereto*)

5.2.1 In addition to all other Rent payable by Tenant hereunder, Tenant agrees to pay as additional Rent its proportionate share of Real Property Taxes levied and assessed against the Project. Real Property Taxes for any fractional portion of a calendar year included in the Lease Term shall be prorated on the basis of a 360-day year.

5.2.2 Each year, Landlord shall notify Tenant of its proportionate share of the Real Property Taxes payable by Tenant hereunder and Tenant shall pay Landlord the amount payable by Tenant at the time and in the manner provided by Article 7 of this Lease.

5.2.3 Tenant's proportionate share of Real Property Taxes shall be the ratio that the square footage of the Premises bears to the total leasable square footage of the Building and other improvements of which the Premises are a part, or if such Building and improvements are not separately assessed, the total leasable square footage of the buildings and improvements constituting the Project. Tenant's proportionate share on the Commencement Date is set forth in the Basic Provisions; said proportionate share is subject to adjustment periodically as of the time each installment of Real Property Taxes is due. Increases in Real Property Taxes resulting under Proposition 13 changes in ownership of the Premises are waived for the initial three (3) years of the Lease in accordance with Exhibit K, Supplemental Terms and Conditions.

5.2.4 Tenant shall pay to Landlord Tenant's proportionate share of the Real Property Taxes in each calendar year; provided, however, Landlord may, at its election, require that Tenant pay any increase in the assessed value of the Project based upon the value of the Tenant Improvements (as defined in the Exhibit B), if any, relative to the value of the other improvements on or to the other buildings in the Project, as reasonably determined by Landlord. Upon Tenant's request, Landlord shall endeavor to provide Tenant with a breakdown of Landlord's determination of Tenant's increased share of Real Property Taxes resulting from the Tenant Improvements.

5.3 Definition of Real Property Taxes. "Real Property Taxes" shall be the sum of the following: all real property taxes; possessory interest taxes; business or license taxes or fees; present or future Mello-Roos assessments; service payments in lieu of such taxes or fees; annual or periodic license or use fees; excise, transit and traffic charges; housing fund assessments, open space charges, childcare fees, school, sewer and parking fees or any other assessments, levies, fees, exactions or charges, general and special, ordinary and extraordinary, unforeseen as well as foreseen (including fees "in-lieu" of any such tax or assessment) which are assessed, levied, charged, conferred or imposed by any public authority upon the Project (or any real property comprising any portion thereof) or its operations, together with all taxes, assessments or other fees imposed by any public authority upon or measured by any rent or other charges payable hereunder, including any gross receipts tax or excise tax levied by any governmental authority with respect to receipt of rental income, or, with respect to or by reason of the development, possession, any tax or assessment levied in connection with the leasing, operation, management, maintenance, alteration, repair, use or occupancy by Tenant of the Premises or any portion thereof; any documentary transfer taxes upon this transaction or any document to which Tenant is a party creating or transferring an interest in the Premises; together with any tax imposed in substitution, partially or totally, of any tax previously included within the aforesaid definition or any additional tax the nature of which was previously included within the aforesaid definition; together with any and all costs and expenses (including, without limitation, attorneys', administrative and expert witness fees and costs) of challenging any of the foregoing or seeking the reduction in or abatement, redemption or return of any of the foregoing, but only to the extent of any such reduction, abatement, redemption or return. All references to Real Property Taxes during a particular year shall be deemed to refer to taxes accrued during such year, including supplemental tax bills, regardless of when they are actually assessed and without regard to when such taxes are payable. The obligation of Tenant to pay for supplemental taxes effective during the Term shall survive the expiration or early termination of this Lease. Nothing contained in this Lease shall require Tenant to pay any franchise, corporate, estate or inheritance tax of Landlord, or any income, profits or revenue tax or charge upon the net income of Landlord or any documentary transfer tax.

6. LANDLORD'S MANAGEMENT OF PROJECT

6.1 Management of Common Area and Project. Provided that Tenant's access to and use of the Premises is not unreasonably hindered or prevented (except for changes, alterations or modifications required by any federal, state, or local governmental or quasi-governmental body, or by law), the number of parking spaces available to Tenant is not unreasonably hindered or reduced (except for changes, reductions, alterations or modifications required by any federal, state, or local governmental or quasi-governmental body, or by law), and Tenant's proportionate share of Building Operating Expenses and Project Operating Expenses do not increase (except as provided in Section 6.2 below), Landlord shall have the right, in Landlord's sole discretion and expense, from time to time, to do any of the following:

6.1.1 Make changes to the Common Area, including, without limitation, changes in the location, size, shape and number of driveways, entrances, exits, parking spaces, parking areas, loading and unloading areas, ingress, egress, direction of traffic, landscape areas, and walkways;

6.1.2 Close the Common Areas when and to the extent necessary for maintenance or renovation purposes or to prevent a dedication of any part thereof or the accrual of any rights therein in favor of the public or any third person;

6.1.3 Designate other land outside the boundaries of the Project to be part of the Common Area;

6.1.4 Install, use, maintain, repair, alter, relocate or replace any Common Area or to add additional buildings and improvements to the Common Area;

6.1.5 Use the Common Area while engaged in making additional improvements, repairs or alterations to the Project, or any portion thereof;

6.1.6 Remodel or renovate the buildings and improvements constituting the Project, and, in connection therewith, to install pipes, conduits, ducts and similar fixtures beneath or through the Premises, provided that such remodeling or renovation does not substantially change the size, dimension, configuration or nature of the Premises; and/or

6.1.7 Do and perform other such acts and make other such changes in, to or with respect to the Common Area and the Project as Landlord may, in the exercise of sound business judgment, deem to be appropriate or prudent.

6.2 Tenant's Share. Landlord reserves the right to adjust Tenant's stated proportionate share ("Tenant Share") of Project Operating Expenses and/or Building Operating Expenses provided at least one of the following conditions are met:

6.2.1 Where alterations to the Project or the Building result in changes in the Common Areas, the Building or the Project;

6.2.2 Tenant leases additional space within the Building or the Project.

6.3 Rules and Regulations. Landlord shall have the right from time to time to promulgate, amend and enforce against Tenant and all persons upon the Premises, reasonable rules and regulations for the safety, care and cleanliness of the Common Area, Premises and the Project or for the preservation of good order; provided, however, that all such rules and regulations shall apply substantially equally and without discrimination to all tenants of Landlord in the Project. Tenant agrees to conform to and abide by such rules and regulations, and a violation of any of them shall constitute a default by Tenant under this Lease. The current Rules and Regulations are attached to this Lease as Attachment 1.

7. COMMON AREA EXPENSE AND OPERATING COSTS

7.1 Common Area Expenses. Tenant shall pay monthly to Landlord Tenant's Share of the Building Operating Expenses and Tenant's Share of Project Operating Expenses in each calendar year.

7.2 Definition of Operating Expenses. "Common Area Expenses" shall mean collectively the "Building Operating Expenses" and the "Project Operating Expenses".

7.2.1 Building Operating Expenses. "Building Operating Expenses" shall include all reasonable and necessary expenses incurred by Landlord in the ownership, operation, maintenance, repair and management of the Building in which the Premises are located, including, but not limited to the following:

(i) Non-structural repairs to and maintenance of the roof (and roof membrane), skylights and exterior walls of the Building (including painting);

(ii) The costs relating to the insurance maintained by Landlord with respect to the Building, except for any deductible amounts in excess of $50,000 in the aggregate, and earthquake insurance unless required by Landlord's lender;

(iii) Maintenance contracts for heating, ventilation and air-conditioning (HVAC) systems and elevators, if any;

(iv) Maintenance, monitoring and operation of the fire/life safety and sprinkler system;

(v) Capital improvements made to or capital assets acquired for the Building after the Commencement Date that are intended to reduce Building Operating Expenses or are reasonably necessary for the health and safety of the occupants of the Building or are required under any governmental law or regulation, which capital costs, or an allocable portion thereof, shall be amortized at eight percent (8%) per annum over its useful life as commercially reasonable determined by Landlord; and

(vi) Any other commercially reasonable maintenance costs incurred by Landlord related to the Building and not related to the Project as a whole.

7.2.2 Exclusions from Building Operating Expenses. Building Operating Expenses shall not include the following expenses:

(i) Replacement of or structural repairs to the roof or the exterior walls;

(ii) Repairs to the extent covered by insurance proceeds or warranties, or paid by Tenant or other third parties; and

(iii) Alterations solely attributable to tenants of the Project other than Tenant.

(iv) Earthquake Insurance (unless required by Landlord's lender);

(v) Any insurance deductible amounts in excess of $50,000 in the aggregate.

7.2.3 Project Operating Expenses. "Project Operating Expenses" shall include all reasonable and necessary expenses incurred by Landlord in the ownership, operation, maintenance, repair and management of the Project and/or the Common Area, including, but not limited to the following:

(i) Repair, maintenance, utility costs and landscaping of the Common Area, including, but not limited to, any and all costs of maintenance, repair and replacement of all parking areas (including bumpers, sweeping, and striping), loading and unloading areas, trash areas, common driveways, sidewalks, outdoor lighting, signs, directories, walkways, parkways, landscaping, irrigation systems, fences and gates and other costs which are allocable to the real property of which the Premises are a part;

(ii) The costs relating to the insurance maintained by Landlord with respect to the Project, except for any deductible amounts in excess of $50,000 in the aggregate and earthquake insurance (unless required by Landlord's lender);

(iii) Trash collection, security services;

(iv) Capital improvements made to or capital assets acquired for the Project after the Commencement Date that are intended to reduce Project Operating Expenses or are reasonably necessary for the health and safety of the occupants of the Project or are required under any governmental law or regulation, which capital costs, or an allocable portion thereof, shall be amortized at eight percent (8%) per annum over its useful life as commercially reasonable determined by Landlord;

(v) Real Property Taxes;

(vi) All costs and fees incurred by Landlord in connection with the management of this Lease and the Premises, including the cost of those services which are customarily performed by a property management services company, together with a management fee to Landlord for accounting and project management services relating to the Building(s) and the Project in an amount equal to four percent (4%) of the sum of the gross rents received by Landlord from all of the tenants in the Project; and

(vii) Any other commercially reasonable maintenance costs incurred by Landlord related to the Project as a whole and not related solely to the Tenant or the Building in which the Premises are located.

7.2.4 Exclusions from Common Area Expenses. Notwithstanding anything in the definition of Common Area Expenses in the Lease to the contrary, Common Area Expenses shall not include the following, except to the extent specifically permitted by a specific exception to the following:

(i) Any ground lease rental;

(ii) Costs incurred by Landlord for the repair of damage to the Project, to the extent that Landlord is reimbursed by insurance proceeds;

(iii) Costs, including permit, license and inspection costs, incurred with respect to the installation of tenant or other occupants' improvements in the Project or incurred in renovating or otherwise improving, decorating, painting or redecorating vacant space for tenants or other occupants of the Project;

(iv) Depreciation, amortization and interest payments, except as provided herein and except on materials, tools, supplies and vendor-type equipment purchased by Landlord to enable Landlord to supply services Landlord might otherwise contract for with a third party, where such depreciation, amortization and interest payments would otherwise have been included in the charge for such third party's services;

(v) Marketing costs, leasing commissions, attorneys' fees in connection with the negotiation and preparation of letters, deal memos, letters of intent, leases, subleases and/or assignments, space planning costs, and other costs and expenses incurred in connection with lease, sublease and/or assignment negotiations and transactions with present or prospective tenants or other occupants of the Project;

(vi) Costs incurred by Landlord due to the violation by Landlord or any other tenant of the terms and conditions of any lease of space in the Project;

(vii) Interest, principal, points and fees on debts or amortization on any mortgage or mortgages or any other debt instrument encumbering the Building or the Project (except as specifically permitted above);

(viii) Any compensation paid to clerks, attendants or other persons in commercial concessions operated by Landlord;

(ix) Advertising and promotional expenditures and costs of signs in or on the Building or Project identifying the owner of the Building or Project or other tenants' signs;

(x) Costs arising from Landlord's charitable or political contributions;

(xi) Costs for sculpture, paintings or other objects of art;

(xii) Costs associated with the operation of the business of the entity which constitutes Landlord as the same are distinguished from the costs of operation of the Project, including accounting and legal matters, costs of defending any lawsuits with any mortgagee (except as the actions of Tenant may be in issue), costs of selling, syndicating, financing, mortgaging or hypothecating any of Landlord's interest in the Project, costs of any disputes between Landlord and its employees (if any) not engaged in Project operation, disputes of Landlord with Project management, or outside fees paid in connection with disputes with other tenants;

(xiii) Costs of any "tap fees" or any sewer or water connection fees for the benefit of any particular tenant in the Project;

(xiv) Any expenses incurred by Landlord for use of any portions of the Project to accommodate events including, but not limited to shows, promotions, kiosks, displays, filming, photography, private events or parties, ceremonies, and advertising beyond the normal expenses otherwise attributable to providing Project services;

(xv) Any entertainment, dining or travel expenses for any purpose;

(xvi) Any flowers, gifts, balloons, etc. provided to any entity whatsoever, including, but not limited to, Tenant, other tenants, employees, vendors, contractors, prospective tenants and agents;

(xvii) Any "finders fees", brokerage commissions, job placement costs or job advertising costs;

(xviii) Any "above-standard" cleaning, including, but not limited to construction cleanup or special cleanings associated with parties/events and specific tenant requirements in excess of service provided to Tenant, including related trash collection, removal, hauling and dumping;

(xix) The cost of any magazine, newspaper, trade or other subscriptions;

(xx) The cost of any training or incentive programs, other than for tenant life safety information services;

(xxi) The cost of any "tenant relations" parties, events or promotion not consented to by an authorized representative of Tenant in writing;

(xxii) "In-house" legal fees;

(xxiii) Earthquake Insurance (unless required by Landlord's lender); and

(xxiv) Any insurance deductible amounts in excess of $50,000 in the aggregate.

7.3 Payments by Tenant.

7.3.1 Tenant shall pay to Landlord as additional Rent on the first day of each full calendar month of the Term of this Lease, Tenant's monthly proportionate share of Landlord's Estimated Expenses (as defined below). If the Term of this Lease begins on a day other than the first day of a month, Tenant shall pay, in advance, its prorated share of the Landlord's Estimated Common Area Expenses for such partial month.

7.3.2 Estimated Common Area Expenses. "Estimated Expenses" for any particular year shall mean Landlord's estimate of Common Area Expenses and Real Property Taxes for a calendar year. Tenant shall pay Tenant's Share (as set forth in the Basic Provisions) of the Estimated Expenses with installments of Minimum Monthly Rent in monthly installments of one-twelfth (1/12th) thereof on the first day of each calendar month during such year. If at any time, but limited to once per year, Landlord determines that Common Area Expenses and Real Property Taxes are projected to vary from the then Estimated Expenses, Landlord may, by notice to Tenant, revise such Estimated Expenses, and Tenant's monthly installments for the remainder of such year shall be adjusted so that by the end of such calendar year Tenant has paid to Landlord Tenant's Share of the revised Estimated Expenses for such year.

7.3.3 Adjustment. "Common Area Expenses and Real Property Taxes Adjustment" (or "Adjustment") shall mean the difference between Tenant's Share of Estimated Expenses and Tenant's Share of Common Area Expenses and Real Property Taxes for any calendar year. Total Common Area Costs for any portion of an accounting period not included within the term of this Lease shall be prorated on the basis of a 360-day year. After the end of each calendar year, Landlord shall deliver to Tenant a statement of Tenant's Share of Common Area Expenses and Real Property Taxes for such calendar year, accompanied by a computation of the Adjustment. If Tenant's Estimated Expense payments are less than Tenant's Share, then Tenant shall pay the difference within thirty (30) days after receipt of such statement. Tenant's obligation to pay such amount effective during the Term shall survive the termination of this Lease. If Tenant's payments exceed Tenant's Share, then Landlord shall credit such excess amount to the subsequent Rents due; provided, however, if Tenant is in default, Landlord may, but shall not be required to, credit such amount to Rent arrearages.

7.3.4 Accounting Period. The accounting period for determining Landlord's Total Operating Costs shall be the calendar year, except that the first accounting period may be prorated and shall commence on the date the Lease term commences and the last accounting period may also be prorated and shall end on the date the Lease term expires or terminates.

7.4 Books and Records. Landlord shall keep full and accurate books of account, records and other pertinent data regarding Common Area Expenses. Such books, records and other pertinent data regarding such expenses shall be kept for a period of one (1) year after the close of each calendar year. Provided Tenant is not in default under this Lease, Tenant shall have the right to review, audit, and copy all documents and information pertaining to Common Area Expenses for a period of one (1) year following the receipt of Landlord's Common Area Expense statement. Tenant shall give Landlord no less than twenty (20) business days notice prior to commencing an audit, which audit shall take place during Landlord's normal business hours, and all documents shall remain at Landlord's place of business at all times. In no event, however, will Landlord or its property manager be required to keep separate accounting records for the components of Common Area Expenses or to create any ledgers or schedules not already in existence. Tenant shall have an auditor acceptable to Landlord to conduct such audit at Tenant's sole cost and expense, but in no event shall said auditor be compensated based on savings generated to Tenant as a result of such audit. In the event the audit reveals that there are amount due either Landlord or Tenant, then any amounts due shall be immediately paid by the appropriate party. Tenant shall pay for all costs of the audit unless Tenant's share of Operating Expenses, as determined by the audit, differs by more than five percent (5%) in favor of the Tenant, in which case Landlord shall bear the cost of the audit up to a maximum cost of $1,000.00 per year. In the event Landlord disputes the findings of such audit, Landlord and Tenant shall have thirty (30) days to resolve such dispute. If, however, Landlord and Tenant have not reached a consensus during such thirty (30) day period, Landlord and Tenant shall submit the dispute for resolution in accordance with the provisions of Article 42, below.

8. USE; LIMITATIONS ON USE

8.1 Tenant's Use of Premises. Tenant agrees that the Premises shall be used and occupied only for the Permitted Uses specified in the Basic Provisions, and for no other use. Tenant shall not use or permit the Premises to be used for any other purpose or purposes or under any other trade name whatsoever without the prior written consent of Landlord, which consent may be withheld or granted at Landlord's sole and absolute discretion. Tenant's use of the Premises shall be in compliance with and subject to all applicable governmental laws, ordinances, statutes, orders and regulations and any CC&R's (including payments thereunder, if any) or any supplement thereto recorded in any official or public records with respect to the Project or any portion thereof. In the event Landlord desires to record CC&R's against the Project after the date of full execution of this Lease, Landlord shall, at its option, either (i) obtain Tenant's consent thereto, which consent shall not be unreasonably withheld (provided Tenant's material rights and obligations under the Lease are not impaired, but provided that any provisions of such CC&R's which require Tenant to pay reasonable assessments such as for common area maintenance and landscaping shall not be deemed to impair Tenant's material rights and obligations under this Lease), conditioned or delayed or (ii) elect not to obtain Tenant's consent thereto, in which event the provisions of this Lease shall prevail over any conflicting provisions of the CC&R's. Tenant further covenants and agrees that it will not use or suffer or permit any person or persons to use the Premises or any part thereof for conducting therein a second-hand store, auction, distress or fire sale or bankruptcy or going-out-of-business sale, or for any use or purpose in violation of the laws of the United States of America or the laws, ordinances, regulations and requirements of the State, County and City wherein the Premises are situated, including in violation of any of the permitted use restrictions outlined in Exhibit N. Tenant, at Tenant's sole cost and expense, shall comply with the rules and regulations attached hereto as Attachment 1, together with such additional rules and regulations as Landlord may from time to time prescribe. Tenant shall not commit waste; overload the floors or structure of the Building in which the Premises are located; subject the Premises, the Building, the Common Area or the Project to any use which would damage the same or increase the risk of loss or violate any insurance coverage; permit any unreasonable odors, smoke, dust, gas, substances, noise or vibrations to emanate from the Premises, take any action which would constitute a nuisance or would disturb, obstruct or endanger any other tenants, take any action which would abrogate any warranties; or use or allow the Premises to be used for any unlawful purpose. Tenant shall promptly comply with the reasonable requirements of any board of fire insurance underwriters or other similar body now or hereafter constituted. Tenant shall not do any act which shall in any way encumber the title of Landlord in and to the Premises, the Building or the Project. Tenant further covenants and agrees that during the term hereof the Premises, and every part thereof, shall be kept by Tenant in a first-class, clean and wholesome condition, free of any objectionable noises, odors or nuisances, and that all fire, safety, health and police regulations shall, in all respects and at all times, be fully complied with by Tenant.

8.2. Additional Limitation on Use. Tenant's use of the Premises shall be in accordance with the following requirements:

8.2.1 Insurance Hazards. Tenant shall neither engage in nor give permission to others to engage in any activity or conduct that will cause the cancellation of or an increase in the premium for any fire or liability insurance maintained by Landlord, and will pay any increase in the fire or liability insurance premiums attributable to Tenant's use of the Premises. Tenant shall, at Tenant's sole cost, comply with all recommendations of any insurance organization or company pertaining to Tenant's specific use of the Premises necessary for the maintenance of reasonable fire and public liability insurance covering the Project.

8.2.2 Compliance with Law. Tenant shall, at Tenant's sole cost and expense, comply with all of the requirements, ordinances and statutes of all municipal, state and federal authorities now in force, or which may hereafter be in force, pertaining to the Premises and the use and occupancy thereof, including any local rules or requirements limiting the hours of Tenant's operations. The judgment of any arbitrator or court of competent jurisdiction, or the admission of Tenant in any action or proceeding against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any such ordinances or statutes in the use of the Premises shall be conclusive of that fact as between Landlord and Tenant.

8.2.3 Waste; Nuisance. Tenant may not display, store or sell merchandise or allow carts, construction debris, trash, portable signs, devices or merchandise of any kind or any other objects to be stored or to remain outside of the Premises. Tenant shall not use, or suffer or permit any person or persons to use the Premises in any manner that will tend to create waste or a nuisance or tend to disturb other tenants of the Project. Tenant shall not place or authorize to have placed or affixed handbills or other advertising materials on automobiles or buildings within the Project, nor shall Tenant place or cause to be placed newspaper racks, advertisements or displays in the Common Area.

8.2.4 Trash and Rubbish Removal. Tenant agrees that all trash and rubbish of Tenant shall be deposited within the appropriate receptacles therefor and that there shall be no trash receptacles permitted on the Premises except such trash receptacles as may be provided or designated by Landlord. If applicable to Tenant's business, Tenant shall be responsible to purchase and maintain its own grease rendering drums (of a design approved by Landlord) and place them in an area designated therefor by Landlord. Tenant shall be solely responsible for clean up costs as a result of any leaking or spillage of its rendering drum or grease collection equipment, whether or not due to vandalism, and shall be solely responsible to arrange and pay for disposal of its grease by a licensed rendering service. Tenant shall, on its own behalf, provide and pay for as a portion of Common Area Expenses the regular removal and disposal of trash and rubbish located in its approved trash receptacles, the location of which shall be reasonably approved by Landlord. In the event Tenant fails to comply with Landlord's trash and rubbish removal procedures set forth above, Tenant shall be liable to Landlord for all costs or damage incurred by Landlord in facilitating trash removal and maintenance of a neat and clean Project. The foregoing notwithstanding, Tenant shall provide and pay for any special or additional trash disposal facilities, equipment or services necessitated by the nature of Tenant's business, including trash receptacles for disposal of perishable food items.

8.3 Intentionally omitted.

8.4 No Representations by Landlord. Tenant agrees that neither Landlord nor any agent of Landlord has made any representation or warranty as to the conduct of Tenant's business or the suitability of the Premises for Tenant's intended purpose. Tenant further agrees that no rights, easements or licenses are acquired by Tenant by implication or otherwise except as expressly set forth in the provisions of this Lease. Tenant will, prior to the delivery of possession of the Premises, inspect the Premises and the Project and become thoroughly acquainted with their condition, and Tenant agrees to take the same "as is", and acknowledges that the taking of possession of the Premises by Tenant shall be conclusive evidence that the Premises and the Project were in good and satisfactory condition at the time such possession was so taken. Tenant acknowledges that: (a) it has been advised by Landlord and/or its brokers to satisfy itself with respect to the condition of the Premises (including the electrical, HVAC and fire sprinkler systems, security, environmental aspects, compliance with laws and regulations, including the Americans with Disabilities Act, and zoning) and the suitability of the Premises for Tenant's permitted use, and (b) Tenant has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefore as the same relate to Tenant's occupancy of the Premises. All understandings and agreements heretofore made between the parties hereto are merged in this Lease. Notwithstanding the foregoing, except as otherwise expressly set forth in the Lease, Landlord represents and warrants to Tenant that to Landlord's actual present knowledge, without duty of investigation or inquiry, all of the utilities and building systems (including water, sewer, gas electrical, plumbing, lighting, data and communications drops and HVAC) serving the Premises and all of the Landlord's Work shall be

complete, operational and in good working condition on the Commencement Date. Landlord shall, at its sole cost, be responsible for correcting or repairing any defect or deficiency in such utilities and building systems and the Landlord's Work that occurs within one (1) year after the Commencement Date, provided such repairs are not required as a result of the gross negligence or willful misconduct of Tenant or Tenant's agents, subcontractors, or assigns. Landlord shall perform to Tenant's reasonable satisfaction the initial balancing of the HVAC system. Landlord warrants on and as of the Commencement Date that the Building and the Premises (including all of Landlord's Work) shall comply with all applicable laws, regulations and codes, including the Americans with Disabilities Act, and that Landlord shall promptly upon written notice, at its sole cost, correct any noncompliance with such warranty; provided however, and without limiting the provisions of Section 9.1 below, it is expressly acknowledged by Tenant that said warranty shall not apply to: (1) any changes, modifications, amendments, or enactments of any law after the Commencement Date, or (2) any specific or unique use of the Premises by Tenant, or (3) any changes, alterations, modifications or improvements to the Premises conducted by Tenant after the Commencement Date.

In addition, Landlord represents to Tenant, that: (a) Landlord is the sole fee owner of the Building, the Premises and the Project; (b) to Landlord's actual present knowledge, without duty of investigation or inquiry, there are no encumbrances, liens, agreements, covenants in effect that would materially or unreasonably limit Tenant's rights hereunder; (c) to Landlord's actual present knowledge, without duty of investigation or inquiry, Landlord is unaware of any impending condemnation plans, proposed assessments or other adverse conditions relating to the Premises or the Project, ; and (d) to Landlord's actual present knowledge, without duty of investigation or inquiry, and except as described in that certain Phase I Environmental Site Assessment Report, prepared by EMG, dated August 27, 2001, there are no Hazardous Materials in or about the Building or the Premises, and (e) the Building and Premises shall be compliant with all applicable laws, including, but not limited to, the Americans With Disabilities Act as of the Commencement Date.

9. ALTERATIONS.

9.1 Trade Fixtures; Alterations. Tenant may install necessary trade fixtures, equipment and furniture in the Premises, provided that such items are installed and are removable without structural or material damage to the Premises, the Building in which the Premises are located, the Common Area or the Project, with the exception for cosmetic alterations under $10,000 per occurrence. Tenant shall not construct, nor allow to be constructed, any alterations or physical additions in, about or to the Premises without obtaining the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed but which, however may be conditioned upon Tenant's compliance with Landlord's reasonable requirements regarding construction of improvements and alterations. Tenant shall submit plans and specifications to Landlord with Tenant's request for approval and shall reimburse Landlord for any commercially reasonable costs which Landlord may incur in connection with granting approval to Tenant for any such alterations and additions, including any commercially reasonable costs or expenses which Landlord may incur in electing to have outside architects and engineers review said matters, but in no event will Tenant be liable for costs in excess of $1,000.00. If Landlord does not respond to a written request from Tenant within ten (10) business days, then Landlord shall be deemed to disapprove such request. In the event Tenant makes any alterations to the Premises that trigger or give rise to a requirement that the Building or the Premises come into compliance with any governmental laws, ordinances, statutes, orders and/or regulations (such as ADA requirements), Tenant shall be fully responsible for complying, at its sole cost and expense, with same. Tenant shall file a notice of completion after completion of such work and provide Landlord with a copy thereof. Tenant shall provide Landlord with a set of "as-built" drawings for any such work. Tenant shall not commence any alterations to the Premises without first providing Landlord five (5) business days' notice of the date Tenant intends to commence such work. Notwithstanding the foregoing, the terms outlined in Exhibit B, shall be observed as it pertains to Tenant's Alterations.

9.2 Damage; Removal. Tenant shall repair all damage to the Project, the Premises and/or the Building caused by the installation or removal of Tenant's fixtures, equipment, furniture and alterations. Landlord shall have the right upon providing Tenant with sixty (60) days prior written notice from the termination of this Lease, to require tenant to remove any or all trade fixtures, alterations, additions, improvements and partitions made or installed by Tenant after the Commencement Date and restore the Premises to its condition existing prior to the construction of any such items less normal wear and tear; provided, however, Landlord has the absolute right to require Tenant to have all or any portion of such items designated by Landlord to remain on the Premises, in which event they shall be and become the property of Landlord upon the termination of this Lease. All such removals and restoration shall be accomplished in a good and workmanlike manner and so as not to cause any damage to the Premises, the Building, the Common Area or the Project whatsoever.

9.3 Liens. Tenant shall promptly pay and discharge all claims for labor performed, supplies furnished and services rendered at the request of Tenant and shall keep the Premises free of all mechanics' and materialmen's liens in connection therewith. Tenant shall provide at least thirty (30) days prior written notice to Landlord before any labor is performed, supplies furnished or services rendered on or at the Premises, and Landlord shall have the right to post on the Premises notices of non-responsibility. If any lien is filed, Tenant shall cause such lien to be released and removed within ten (10) days after the date of filing, and if Tenant fails to do so, Landlord may take such action as may be necessary to remove such lien and Tenant shall pay Landlord such amounts expended by Landlord, together with interest thereon at the Applicable Interest Rate from the date of expenditure.

9.4 Standard of Work. All work to be performed by or for Tenant pursuant hereto shall be performed diligently and in a first class, workmanlike manner, and in compliance with all applicable laws, ordinances, regulations and rules of any public authority having jurisdiction over the Premises and/or Tenant and Landlord's insurance carriers. Landlord shall have the right, but not the obligation, to inspect periodically the work on the Premises, and Landlord may require changes in the method or quality of the work.

10. UTILITIES; ESSENTIAL SERVICES; ACCESS

10.1 Utilities.

10.1.1 Tenant's Responsibilities. Tenant shall make all arrangements for and shall pay the charges when due for all water, gas and heat, light, power, telephone service, trash collection and all other services and utilities supplied to the Premises during the entire Term of this Lease, and shall promptly pay all connection and termination charges therefor. In the event the Premises is not separately metered, Tenant shall have the option, subject to Landlord's prior written consent and the terms of this Lease, to cause the Premises to be separately metered at Tenant's sole cost and expense. If Tenant does not elect to cause the Premises to be separately metered, Tenant shall pay a reasonable proration of utilities, as determined by Landlord. If Landlord determines that Tenant's usage of utility service to the Building is excessive, compared with the usage of other tenants of the Building, Landlord may charge Tenant separately for such excessive usage.

10.1.2 Extent of Landlord's Liability. The suspension or interruption in utility services to the Premises for reasons beyond the ability of Landlord to control shall not constitute a default by Landlord or entitle Tenant to any reduction or abatement of rent nor shall Landlord have any liability to Tenant therefore.

10.2 Essential Services. "Essential Services" shall mean and include such services provided by either Landlord, Landlord's agents, or a third party that is an integral part of Tenant's operations within the Premises, such that Tenant shall not be capable of conducting business therein without such service. Landlord shall not be liable to Tenant for interruption in or curtailment of Essential Services unless such interruption or curtailment is solely attributable to the negligence of Landlord. Notwithstanding the foregoing, no interruption or curtailment of Essential Services shall constitute constructive eviction or grounds for rental abatement, unless such interruption or curtailment is continuous and attributable solely to the gross negligence of Landlord or Landlord's agents.

10.3 Access to the Premises. Tenant shall have access to the Premises twenty four (24) hours per day, three hundred sixty five (365) days per year, including normal business holidays. Access to the Premises shall be deemed available if a willing and able employee of Tenant can gain entrance to the Premises through a legal entryway.

11. TENANT'S PERSONAL PROPERTY

11.1 Installation of Property. Landlord shall have no interest in any removable equipment, furniture or trade fixtures owned by Tenant or installed in or upon the Premises solely at the cost and expense of Tenant (the "Tenant's Property"). Prior to creating or permitting the creation of any lien or security or reversionary interest in any removable personal property to be placed in or upon the Premises, Tenant shall obtain for the benefit of Landlord and shall deliver to Landlord the written agreement of the party holding such interest to make such repairs necessitated by the removal of such property and any damage resulting therefrom as may be necessary to restore the Premises to good condition and repair, excepting only

reasonable wear and tear, in the event said property is thereafter removed from the Premises by said party, or by any agent or representative thereof or purchaser therefrom, pursuant to the exercise or enforcement of any rights incident to the interest so created, all without any cost or expense to Landlord.

11.2 Removal of Personal Property. (*Continued on Exhibit K attached hereto*) Tenant shall have the right to remove at its own cost and expense upon the expiration of this Lease Tenant's Property. Prior to the close of business on the last day of the Lease Term, all such personal property shall be removed, and Tenant shall make such repairs necessitated by the removal of said property and any damage resulting therefrom as may be necessary to restore the Premises to good condition and repair, excepting only reasonable wear and tear. Any such property not so removed shall be deemed to have been abandoned or, at the option of Landlord, shall be removed and placed in storage for the account and at the cost and expense of Tenant.

12. REPAIRS AND MAINTENANCE.

12.1 Tenant.

12.1.1 Tenant, at Tenant's sole cost and expense, shall keep and maintain the Premises, including all improvements constructed by Tenant therein, in good order, condition and repair including, but not limited to, the following:

i) Interior surfaces of walls and wall coverings;

ii) Intentionally omitted;

iii) Floors, subfloors, carpeting and other floor coverings;

iv) Doors, door frames, and door closures and locks;

v) Interior windows, glass, and plate glass excluding exterior glass cleaning or windows that break from the outside through no fault of Tenant, Tenant's agents, employees, or invitees;

vi) Ceilings and ceiling systems;

vii) Thermostats within the Premises;

viii) Interior electrical distribution and equipment, including lighting systems, switches and electrical panels;

ix) Interior plumbing, and sprinkler systems, if any, installed therein;

x) Interior electrical and mechanical systems and wiring;

xi) Appliances and devices using or containing refrigerants;

xii) Fixtures and equipment in good repair and in a clean and safe condition;

xiii) Decorative wall, paint, signs and lighting equipment within the Premises; and

xiv) Repair and/or replace any and all of the foregoing in a clean and safe condition, in good order, condition and repair.

12.1.2 Tenant shall keep any parking area adjacent to Premises clean and neat at all times, and shall remove immediately therefrom any litter, debris or other unsightly or offensive matter placed or deposited thereon by the agents or customers of Tenant.

12.1.3 Tenant shall as necessary, or when required by governmental authority, make modifications or replacements to the foregoing.

12.1.4 Prior to making any repairs required hereunder (except in the case of an emergency), Tenant shall notify Landlord in writing as to the nature and extent of such damage, and shall provide Landlord with an estimate of the cost and time required to complete such repairs. Without limiting the foregoing, Tenant shall, at Tenant's sole expense (i) immediately replace all broken glass in the Premises with glass equal to or in excess of the specification and quality of the original glass; (ii) repair any area damaged by Tenant, Tenant's agents, employees, invitees and visitors, including any damage caused by any roof penetration, whether or not such roof penetration was approved by Landlord; and (iii) unless otherwise specified in this Lease, provide janitorial services for the interior of the Premises.

12.1.5 In the event Tenant fails, in the reasonable judgment of Landlord, to maintain the Premises in accordance with the obligations under the Lease, which failure continues at the end of ten (10) days following Tenant's receipt of written notice from Landlord (except with respect to an emergency in which case Landlord may act immediately) stating with particularity the nature of the failure, Landlord shall have the right, but shall not be obligated, to enter the Premises and perform such maintenance, repairs or refurbishing at Tenant's sole cost and expense (including a sum for overhead to Landlord).

12.1.6 Tenant shall maintain written records of maintenance and repairs, as required by any applicable law, ordinance or regulation, and shall use certified technicians to perform such maintenance and repairs, as so required.

12.1.7 Provided Landlord notifies Tenant in writing Tenant shall be required to deliver full and complete copies of all service or maintenance contracts entered into by Tenant for the Premises to Landlord within sixty (60) days after the Commencement Date.

12.1.8 Tenant hereby waives the right to make repairs at Landlord's expense under the provisions of any laws permitting repairs by a tenant at the expense of the landlord to the extent allowed by law, it being intended that Landlord and Tenant have by this Lease made specific provision for such repairs and have defined their respective obligations relating thereto.

12.2 Landlord.

12.2.1 Except as otherwise provided in this Lease, and subject to the following limitations, Landlord shall, at its sole cost and expense, repair damage to the structural components of the roof, the foundation and exterior portions of exterior walls (excluding wall coverings, painting, glass and doors) of the Building; provided, however, if such damage is caused by an act or omission of Tenant, Tenant's employees, agents, invitees, subtenants, or contractors, then such repairs shall be at Tenant's sole expense. Notwithstanding the foregoing, Landlord shall not be required to make any repair resulting from any of the following conditions:

i) Any alteration or modification to the Building or to mechanical equipment within the Building performed by, for or because of Tenant or to special equipment or systems installed by, for or because of Tenant;

ii) The installation, use or operation of Tenant's property, fixtures and equipment;

iii) The moving of Tenant's Property in or out of the Building or in and about the Premises;

iv) Tenant's use or occupancy of the Premises in violation of Section 8 of this Lease or in the manner not contemplated by the parties at the time of the execution of this Lease;

v) The acts or omissions of Tenant and Tenant's employees, agents, invitees, subtenants, licensees or contractors;

vi) Fire and other casualty, except as provided by Section 13 of this Lease; and

vii) Condemnation, except as provided in Section 15 of this Lease. Landlord shall have no obligation to make repairs under this Section 12.2 until a commercially reasonable time after receipt of written notice from Tenant of the need for such repairs. There shall be no abatement of Rent during the performance of such work. Unless as due to Landlord's gross negligence or willful misconduct, Landlord shall not be liable to Tenant for injury or damage that may result from any defect in the construction or condition of the Premises, nor for any damage that may result from interruption of Tenant's use of the Premises during any repairs by Landlord. Tenant waives any right to repair the Premises, the Building and/or the Common Area at the expense of Landlord under any applicable governmental laws, ordinances, statutes, orders or regulations now or hereafter in effect which might otherwise apply.

12.2.2 Landlord shall have no obligation to make repairs under this Section 12.2 until a commercially reasonable time after receipt of written notice from Tenant of the need for such repairs. There shall be no abatement of Rent during the performance of such work. Unless due to Landlord's gross negligence or willful misconduct, Landlord shall not be liable to Tenant for injury or damage that may result from any defect in the construction or condition of the Premises, nor for any damage that may result from interruption of Tenant's use of the Premises during any repairs by Landlord. Tenant waives any right to repair the Premises, the Building and/or the Common Area at the expense of Landlord under any applicable governmental laws, ordinances, statutes, orders or regulations now or hereafter in effect which might otherwise apply.

13. INDEMNITY AND INSURANCE

13.1 Indemnification. Tenant hereby indemnifies and holds Landlord and Landlord's partners, employees, and agents (collectively the "Landlord Parties") harmless from and against any and all claims (except claims resulting from Landlord's gross negligence or willful misconduct) arising from any activity, work, or thing done, permitted or suffered by Tenant or its agents or employees in or about the Premises, and further Tenant shall indemnify and hold Landlord and the Landlord Parties harmless from and against any and all claims arising from any breach or default in the performance by Tenant of any obligation to be performed by Tenant under the terms of this Lease, or arising from any act or negligence of Tenant, or any of its agents, contractors, employees, or invitees, and from and against all costs, attorneys' fees, expenses and liabilities incurred in, or related to, any such claim or any action or proceeding brought thereon. In case any action or proceeding shall be brought against Landlord and/or the Landlord Parties by reason of any such claim, Tenant, upon notice from Landlord and/or the Landlord Parties, shall defend Landlord and the Landlord Parties at its own expense by counsel of Landlord's own choosing and reasonably acceptable to Tenant and Tenant's lender. Subject to the foregoing, Tenant, as a material part of the consideration to Landlord, hereby assumes all risk of damage to property or injury to persons, in, upon or about the Premises from any cause except to the extent as may be caused by the gross negligence or willful misconduct of Landlord, and Tenant hereby waives all claims with respect thereto against Landlord.

Landlord hereby indemnifies and holds Tenant, Tenant's employees and agents (collectively the "Tenant Parties") harmless from and against any and all claims (except claims resulting from Tenant's or Tenant Parties' gross negligence or willful misconduct) arising from any activity, work, or thing done, permitted or suffered by Landlord and its agents and employees in or about the Premises, and further Landlord shall indemnify and hold Tenant and the Tenant Parties harmless from and against any and all claims arising from any breach or default in the performance by Landlord of any obligation to be performed by it under the terms of this Lease, or arising from any grossly negligent or willful act or negligence of Landlord, or any of its agents, contractors, employees, or invitees, and from and against all costs, attorneys' fees, expenses and liabilities incurred in, or related to, any such claim or any action or proceeding brought thereon. In case any action or proceeding shall be brought against Tenant or any of the Tenant Parties by reason of any such claim, Landlord, upon notice from Tenant and the Tenant Parties, shall defend Tenant at its own expense by counsel of Tenant's own choosing and reasonably satisfactory to Landlord and Landlord's lender.

13.2 Exemption of Landlord from Liability. Tenant hereby agrees that Landlord shall not be liable for injury or damage which may be sustained by the person, goods, wares, merchandise or property of Tenant, its employees, invitees or customers, or by any other person in or about the Premises caused by or resulting from fire, steam, electricity, gas, water or rain which may leak or flow from or into any part of the Premises, or from the breakage, leakage, obstruction or other defects of the pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures of the same, whether the said damage or injury results from conditions arising upon the Premises or from other sources; provided, however, that notwithstanding the foregoing, Landlord shall not be relieved from liability with respect to such injury or damage resulting from Landlord's gross negligence or willful misconduct. The parties acknowledge and agree that Landlord shall not be liable to Tenant for any damages arising from any act or neglect of any other tenant of the Project, including such tenant's employees, agents, vendors and invitees.

13.3 Public Liability and Property Damage.

13.3.1 Insurance Coverage. Tenant agrees to maintain in force throughout the term hereof, at Tenant's sole cost and expense, such insurance, including liability insurance against liability to the public incident to the use of or resulting from any accident occurring in or about the Premises, of the types and with the initial limits of liability specified in the Basic Provisions. Said policies shall contain an "Additional Insured-Managers or Lessors of Premises Endorsement" and contain the "Amendment of the Pollution Exclusion Endorsement" for damages caused by heat, smoke or fumes from a hostile fire. The policy shall contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Tenant's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Tenant nor relieve Tenant of any obligation hereunder. All insurance carried by Tenant shall be primary to and not contributory with any similar insurance carried by Landlord, whose insurance shall be considered excess insurance only.

13.3.2 Adjustments to Coverage. Tenant further agrees to review the amount of its insurance coverage with Landlord every three (3) years to the end that the protection coverage afforded thereby shall be in proportion to the initial protection coverage. If the parties are unable to agree upon the amount of said coverage prior to the expiration of each such three (3) year period, then the amount of coverage to be provided by Tenant's carrier shall be adjusted to the amounts of coverage recommended in writing by an insurance broker selected by Landlord.

13.3.3 Notification of Incidents. Tenant shall notify Landlord within twenty-four (24) hours after the occurrence of any accidents or incidents in the Premises, the Building, Common Areas or the Project which could give rise to a claim under any of the insurance policies required under this Article 13.

13.4 Tenant's Property Insurance. Tenant, at its own cost and expense, shall maintain on all of Tenant's Property a policy of standard fire and extended coverage insurance, with vandalism and malicious mischief endorsements, to the extent of at least one hundred percent (100%) of their replacement cash value. The proceeds of any such policy that become payable due to damage, loss or destruction of such property shall be used by Tenant for the repair or replacement thereof.

13.5 Proof of Insurance. Each policy of insurance required of Tenant by this Lease shall be a primary policy, issued by an insurance company licensed in the state where the Premises are located and shall maintain during the policy term a "General Policyholder's Rating" of at least B+, V, as set forth in the most current issue of "Best's Insurance Guide," or such other rating as may be reasonably satisfactory to Landlord. Tenant shall not do or permit to be done anything which invalidates the required insurance policies. Tenant shall, prior to the Commencement Date, deliver to Landlord certified copies of policies of such insurance or certificates evidencing the existence and amounts of the required insurance. Tenant shall, at least thirty (30) days prior to the expiration of such policies, furnish Landlord with evidence of renewals or "insurance binders" evidencing renewal thereof, or Landlord may order such insurance and charge the cost thereof to Tenant, which amount shall be payable by Tenant to Landlord upon demand.

13.6 Casualty Insurance. Landlord shall maintain casualty insurance on the Building in which the Premises is situated, and on all other buildings in the Project, if any, insuring against loss by fire and the perils covered by an extended coverage endorsement, in an amount not less than eighty percent (80%) of their full replacement cost and as otherwise required by any mortgage lender of the improvements comprising the Project. Tenant shall be added by landlord on policy as an Additional Insured.

13.7 Subrogation. Landlord and Tenant intend that their respective property loss risks shall be borne by reasonable insurance carriers to the extent above provided as required herein, and Landlord and Tenant hereby agree to look solely to, and seek recovery only from, their respective insurance carriers in the event of a property loss to the extent that such coverage is agreed to be provided hereunder. The parties each hereby waive all rights and claims against each other for to the extent of such losses, and waive all rights of subrogation of their respective insurers, provided such waiver of subrogation shall not affect the right to of the insured to recover thereunder. The parties agree that their respective insurance policies are now, or shall be, endorsed such that the waiver of subrogation shall not affect the right of the insured to recover thereunder, so long as no material additional premium is charged therefor.

14. DAMAGE AND DESTRUCTION.

14.1 Casualty. If the Premises or the Building(s) in which the Premises are located should be damaged, destroyed, or rendered inaccessible by fire or other casualty, Tenant shall give immediate written notice to Landlord. Within forty-five (45) days after receipt from Tenant of such written notice, Landlord shall notify Tenant in writing ("Landlord's Repair Estimate") whether the necessary repairs can reasonably be made within ninety (90) days.

14.1.1 Rent Abatement. If Tenant cannot access or is required to vacate all or a portion of the Premises due to the casualty, the Rent payable hereunder shall be abated proportionately on the basis of the size of the area of the Premises which is rendered inaccessible or which must be vacated due to such casualty (e.g., the number of square feet of floor area of the Premises that is vacated compared to the total square footage of the floor area of the Premises) from the Casualty Date; provided, however, such casualty was not caused by Tenant or Tenant's agents, contractors or invitees.

14.1.2 Less Than 90 Days. If Landlord's Repair Estimate indicates that rebuilding or repairs can reasonably be completed within ninety (90) days after the date on which the casualty occurred ("Casualty Date"), this Lease shall not terminate, and provided that insurance proceeds are available to fully repair the damage, Landlord shall repair the Premises, except that Landlord shall not be required to rebuild, repair or replace Tenant's property which may have been placed in, on or about the Premises by or for the benefit of Tenant. In the event that Landlord should fail to substantially complete such repairs within ninety (90) days after the Casualty Date (such period to be extended for delays caused by Tenant or because of any items of Force Majeure, as hereinafter defined), and Tenant has not re-occupied the Premises, Tenant shall have, as Tenant's exclusive remedy, the right, within ten (10) days after the expiration of such ninety (90) day period, to terminate this Lease by delivering written notice to Landlord, whereupon all rights hereunder shall cease and terminate thirty (30) days after Landlord's receipt of such notice.

14.1.3 Greater Than 90 Days. If Landlord's Repair Estimate indicates that rebuilding or repairs cannot be completed within ninety (90) days after the Casualty Date, either Landlord or Tenant may terminate this Lease by giving written notice within ten (10) days after the date of Landlord's Repair Estimate; and this Lease shall terminate and the Rent shall be abated from the date Tenant vacates the Premises. In the event that neither party elects to terminate this Lease, Landlord shall promptly commence and diligently pursue to completion the repairs to the Building or Premises, provided insurance proceeds are available to repair the damage (except that Landlord shall not be required to rebuild, repair or replace Tenant's property which may have been replaced in, on or about the Premises by or for the benefit of Tenant).

14.1.4 Changes in Zoning, Ordinances or Applicable Laws. Should then applicable laws or zoning ordinances preclude the restoration or replacement of the Premises in the manner hereinbefore provided, then Landlord shall have the right to terminate this Lease immediately upon verification thereof by giving written notice of termination to Tenant, and thereupon both parties hereto shall be released from all further liability hereunder, except that Tenant shall remain liable under the provisions of Articles 9, and 13, and Landlord shall remain liable under Articles 9, 13 and 42.

14.2 Tenant's Fault. In the event that the Premises or any portion of the Building are located is damaged as a result of the negligence or breach of this Lease by Tenant or any of Tenant's parties, Tenant shall not have the right to terminate the Lease as set forth above nor shall the Rent be reduced during the repair of such damage. In such event, Tenant shall be liable to Landlord for the cost of the repair caused thereby to the extent such cost is not covered by insurance proceeds from policies of insurance required to be maintained pursuant to the provisions of this Lease.

14.3 Uninsured Casualty. Subject to Section 7.2.2 any deductible amount payable under the property insurance for the Building(s) in which the Premises are located shall be an Operating Expense. In the event that the Premises or any portion of the Building(s) is damaged to the extent Tenant is unable to use the Premises and such damage is not covered by insurance proceeds received by Landlord or in the event that the holder of any indebtedness secured by the Premises requires that the insurance proceeds be applied to such indebtedness, then Landlord shall have the right, at Landlord's option, either to (i) repair such damage as soon as reasonably possible at Landlord's expense or (ii) give written notice to Tenant within thirty (30) days after the date of the occurrence of such damage of Landlord's intention to terminate this Lease as of the date of the occurrence of such damage. In the event Landlord elects to terminate this Lease, Tenant shall have the right within ten (10) days after receipt of such notice to give written notice to Landlord of Tenant's intention to pay the cost of repair of such damage, in which event, following the securitization of Tenant's funding commitment in a form reasonably acceptable to Landlord, this Lease shall continue in full force and effect. Landlord shall make such repairs as soon as reasonably possible, and Tenant shall reimburse Landlord for such repairs within fifteen (15) days after receipt of an invoice from Landlord. If Tenant does not give such notice within the ten (10) day period, this Lease shall terminate automatically as of the Casualty Date.

14.4 Waiver. With respect to any damage or destruction which Landlord is obligated to repair or may elect to repair, Tenant waives all rights to terminate this Lease pursuant to rights otherwise presently or hereafter accorded by law to the extent that such termination by Tenant is inconsistent with the rights and obligations of the parties under this Lease.

14.5 Force Majeure. “Force Majeure,” as used in this Section 14 only and shall not apply elsewhere unless otherwise specified, means delays resulting from causes beyond the reasonable control of Landlord, including, without limitation, any delay caused by any action, inaction, order, ruling, moratorium, regulation, statute, condition or other decision of any private party or governmental agency having jurisdiction over any portion of the Project, over the construction anticipated to occur thereon or over any uses thereof, or by delays in inspections or in issuing approvals by private parties or permits by governmental agencies, or by fire, flood, inclement weather, strikes, lockouts or other labor or industrial disturbance (whether or not on the part of agents or employees of Landlord engaged in the construction of the Premises), civil disturbance, order of any government, court or regulatory body claiming jurisdiction or otherwise, act of public enemy, war, riot, sabotage, blockage, embargo, failure or inability to secure materials, supplies or labor through ordinary sources by reason of shortages or priority, discovery of hazardous or toxic materials, earthquake, or other natural disaster, delays caused by any dispute resolution process, or any cause whatsoever beyond the reasonable control (excluding financial inability) of the party whose performance is required or any of its contractors or other representatives, whether or not similar to any of the causes hereinabove stated.

14.6 Substantial Destruction During Last Six (6) Months. In addition, in the event that the Premises or the Building(s) in which the Premises are located is destroyed or damaged to any substantial extent during the last six (6) months of the Term of this Lease, then notwithstanding anything contained in this Article 14, either party hereto shall have the option to terminate this Lease by giving written notice to the other of the exercise of such option within thirty (30) days after the exercising party becomes aware of such damage or destruction, in which event this Lease shall cease and terminate as of the date of such notice.

15. CONDEMNATION

15.1 Entire Leased Premises. Should title or possession of the whole of the Premises be taken by duly constituted authority in condemnation proceedings under the exercise of the right of eminent domain, or should a partial taking render the remaining portion of the Premises impractical for Tenant’s intended use as contemplated in this Lease, then this Lease shall terminate upon the vesting of title or taking of possession.

15.2 Partial Taking.

15.2.1 Landlord shall have the right to terminate this Lease by giving thirty (30) days prior written notice to Tenant within thirty (30) days after the nature and extent of the taking is finally determined if any portion of the Premises or the Building and other improvements in which the Premises are situated is taken by eminent domain. If Landlord does not terminate this Lease as provided herein, then this Lease shall remain in full force and effect. In such event, Landlord shall promptly make any necessary repairs or restoration at the cost and expense of Landlord, and the Minimum Monthly Rent and Tenant’s proportionate share of Landlord’s Common Area Expenses from and after the date of the taking shall be reduced in the proportion that the value of the area of the portion of the Premises taken bears to the total value of the Premises immediately prior to the date of such taking or conveyance.

15.2.2 Tenant waives the provisions of Section 1265.130 of the California Code of Civil Procedure permitting a petition by Tenant to the Superior Court to terminate this Lease in the event of a partial taking of the Premises.

15.3 Transfer Under Threat of Condemnation. Any sale or conveyance by Landlord to any person or entity having the power of eminent domain, either under threat of condemnation or while condemnation proceedings are pending, shall be deemed to be a taking by eminent domain under this Article 15.

15.4 Awards and Damages. All payments made on account of any taking by eminent domain shall be made to and retained by Landlord, except that Tenant shall be entitled to make a separate claim to the condemning authority any award to Tenant specifically made by the condemning authority as a result of such separate action (a) for the reasonable removal and relocation costs of any removable property that Tenant has the right to remove, or for loss and damage to any such property that Tenant elects or is required not to remove; and/or (b) for Tenant’s loss of goodwill.

15.5 Arbitration. Any dispute concerning the extent to which a taking by condemnation renders the Premises unsuitable for continued occupancy and use by Tenant shall be submitted to arbitration pursuant to Article 42 below.

16. ASSIGNING, SUBLETTING AND HYPOTHECATING

16.1 Landlord's Consent Required. Tenant shall not voluntarily or by operation of law assign, license, franchise, transfer, mortgage, hypothecate, or otherwise encumber all or any part of Tenant's interest in this Lease or in the Premises, and shall not sublet, franchise, change ownership or license all or any part of the Premises with the exception of an Affiliate of Tenant as set forth below, without the prior written consent of Landlord in each instance, which consent shall not be unreasonably withheld, and any attempted assignment, license, franchise, transfer, mortgage, encumbrance, subletting or change of ownership without such consent shall be wholly void, shall confer no rights upon any third parties, and shall at the sole and exclusive option of Landlord terminate this Lease. Without in any way limiting Landlord's right to refuse to give such consent for any other reason or reasons, Landlord reserves the right to refuse to give such consent, and such refusal shall be deemed to be reasonable, if in Landlord's sole but commercially reasonable discretion and opinion:

16.1.1 The proposed new tenant's character, reputation, business, or use is not consistent with the character and quality of the Project;

16.1.2 The financial worth of the proposed new tenant is inadequate as determined by generally accepted industry standards to capitalize the business to be conducted in the Premises;

16.1.3 The credit rating of the proposed new tenant (based on industry standard credit guidelines);

16.1.4 The intended use of the Premises by the proposed new tenant is illegal, conflicts with the Permitted Use, competes with then-existing uses in the Project or violates a then-existing exclusive or an exclusive which Landlord is then negotiating; and/or

16.1.5 The intended alteration of the Premises as a result of the proposed new tenant's use or other requirements is material or substantial.

16.2 Tenant's Application. In the event that Tenant desires at any time to assign this Lease or to sublet the Premises or any portion thereof, Tenant shall submit to Landlord, at least sixty (60) days prior to the proposed "effective date" of the assignment or sublease, in writing: (i) a notice of application to assign or sublease, setting forth the proposed effective date, which shall be no less than sixty (60) or more than one hundred eighty (180) days after the sending of such notice; (ii) the name of the proposed subtenant or assignee; (iii) the nature of the proposed subtenant's or assignee's business to be carried on in the Premises; (iv) the terms and provisions of the proposed sublease or assignment; (v) a current financial statement of the proposed subtenant or assignee; and (vi) such other information as Landlord may reasonably request.

16.3 Additional Terms Regarding Subletting and Assignment. The following additional terms shall apply to any proposed sublease of the Premises by Tenant:

16.3.1 If Tenant sublets all or a portion of the Premises at a square foot rental rate in excess of Tenant's then-existing rental rate, Tenant and Landlord shall split any profits 50/50, after customary subleasing expenses;

16.3.2 In no event shall any proposed subtenant be an existing occupant of any space in the Project or an Affiliate of any such occupant, unless such proposed subtenant, or its Affiliate, is expanding its existing space in the Project and is not otherwise competing with Landlord for any space in the Project (e.g., existing option to renew, pending negotiations, etc.). As used herein, an "Affiliate" means a corporation, partnership, limited liability company, or other business entity that directly or indirectly controls, is controlled by, or is under common control with such occupant;

16.3.3 In no event shall Tenant sublet all or portion of the Premises to a person or entity with whom Landlord or its agents is negotiating or has negotiated within the past six (6) months regarding the lease of space in the Project; and

16.3.4 Tenant shall have the right, without the prior written consent of Landlord, but upon prior written notice to Landlord as set forth below, to assign or sublet all or any portion of its interest in the sublease to an Affiliate (hereinafter defined) so long as (i) the Affiliate delivers to Landlord a written notice of the assignment and an assumption agreement whereby the Affiliate assumes and agrees, jointly and severally with Tenant, to perform observe and abide by all of the terms, conditions, obligations and provisions of the Lease applicable to Tenant and (ii) the entity remains an Affiliate. No subletting or assignment by Tenant made pursuant to this Section shall relieve Tenant of any of its primary obligations under the Lease. As used herein, the term "Affiliate" of Tenant shall mean any other entity which, directly or indirectly, controls, is controlled by or is under common control with Tenant. For this purpose, "control" shall mean the direct or indirect power to vote more than forty-nine percent (49%) of the voting securities of any entity or otherwise to direct the management of any entity.

Notwithstanding anything to the contrary in the Master Lease or the Lease, Tenant shall be permitted (without the consent of Landlord or the Master Lessor) to merge, consolidate with, or be acquired by, another entity and/or to sell substantially all of its assets, so long as the surviving entity or the purchaser(s) of substantially all of Tenant's assets assumes all obligations of Tenant under the Lease in accordance with the terms herein.

16.4 Recapture. If Tenant proposes to assign this Lease to a party which is not or which does not propose to operate a permitted use or is not qualified to do so, Landlord may, at its option, exercisable upon written notice to Tenant within thirty (30) days after Landlord's receipt of the notice from Tenant set forth in Section 16.2 above, elect to recapture the Premises and terminate this Lease. If Tenant proposes to sublease all or part of the Premises to a party which does intend to use the Premises for a permitted use, Landlord may, at its option, exercisable upon written notice to Tenant within thirty (30) days after Landlord's receipt of the notice from Tenant set forth in Section 16.2 above, elect to recapture such portion of the Premises as Tenant proposes to sublease and, upon such election by Landlord, this Lease shall terminate as to the portion of the Premises recaptured. In the event a portion only of the Premises is recaptured, the rent payable under this Lease shall be proportionately reduced. If Tenant shall, however, elect to rescind its notice of assignment or sublease, pursuant to written demand to Landlord given within fifteen (15) days after Tenant's receipt of Landlord's notice of recapture, then Landlord shall not have the said right of recapture with respect to the notice so rescinded.

The parties hereto acknowledge and agree that the provisions of this Article are a material inducement for Landlord's execution of this Lease and that Tenant's sole purpose for executing this Lease is to obtain possession of the Premises and not to engage in the business of leasing and/or subleasing commercial space. The parties further acknowledge and agree that Landlord's recapture of the Premises, or any portion thereof, as hereinabove described, shall be deemed to be reasonable and shall not violate or conflict with the provisions of Section 16.1 concerning Landlord's reasonable refusal to consent to a proposed transfer.

If Landlord shall not elect to recapture pursuant to this Section 16.4, and if Landlord shall consent to the proposed assignment or sublease, then Tenant may thereafter enter into the proposed assignment or sublease, provided that (i) such assignment or sublease is executed within ninety (90) days after the date that Landlord shall grant its consent, and (ii) the terms and provisions of the executed assignment or sublease are the same as those presented to Landlord in the notice given by Tenant pursuant to Section 16.2 above.

BY PLACING THEIR INITIALS BELOW, LANDLORD AND TENANT CERTIFY THAT THIS SECTION 16.4 HAS BEEN FULLY AND FREELY NEGOTIATED.

/s/ [ILLEGIBLE]	/s/ BD, /s/ BL
LANDLORD	TENANT

16.5 Fees for Review. In the event that Tenant shall request to assign, transfer, mortgage, pledge, hypothecate or encumber this Lease or any interest therein, or shall sublet the Premises or any part hereof, Tenant shall pay to Landlord a non-refundable fee for Landlord's time and processing efforts and for expenses incurred by Landlord in connection with reviewing such transaction (including any administrative expenses for Landlord's property manager), the amount of such non-refundable fee shall be One Thousand Dollars ($1,000.00). In addition to such fee, Tenant shall pay to Landlord in the event Landlord retains the services of any attorney to review the transaction, all reasonable attorneys' fees incurred by Landlord in connection therewith, but in no event great than One Thousand Dollars ($1,000). Tenant shall pay such nonreimbursable fee and such attorneys' fees to Landlord within ten (10) days after written request therefore and said nonreimbursable fee shall apply even if Landlord does not consent to the proposed transfer.

16.6 Collection.Any rental payments or other sums received from Tenant or any other person in connection with this Lease shall be conclusively presumed to have been paid by Tenant or on Tenant's behalf. Landlord shall have no obligation to accept any rental payments or other sum from any person other than Tenant unless (i) Landlord has been given prior written notice to the contrary by Tenant; and (ii) Landlord has consented to payment of such sums by such person other than Tenant. If this Lease be assigned to, or if the Premises or any part thereof be sublet or occupied by, anybody other than Tenant, Landlord may (but shall not be obligated to) collect rent from the assignee, subtenant or occupant and apply the net amount collected to the rent herein reserved and retain any excess rent so collected, but no such assignment, subletting, occupancy or collection shall be deemed a waiver of Tenant's covenant set forth in the first sentence of Section 16.1 above, nor shall such assignment, subletting, occupancy or collection be deemed an acceptance by Landlord of the assignee, subtenant or occupant as tenant, or a release of Tenant from the further performance by Tenant of covenants on the part of Tenant herein contained.

16.7 Waiver. Notwithstanding any assignment or sublease, or any indulgences, waivers or extensions of time granted by Landlord to any assignee or sublessee, or any failure by Landlord to take action against any assignee or sublessee, Tenant agrees that Landlord may, at its option, proceed against Tenant without having taken action against or joined such assignee or sublessee, provided that Tenant shall have the benefit of any indulgences, waivers and extensions of time granted to any such assignee or sublessee. The subsequent acceptance of rent or other sums hereunder by Landlord shall not be deemed a waiver of any preceding default other than the failure of Tenant to pay the particular rental or other sums, or portion thereof so accepted, regardless of Landlord's knowledge of such preceding default at the time of acceptance of such rent or other sum.

16.8 Assumption of Obligations. Each assignee or transferee, other than Landlord, shall assume all obligations of the Tenant under this Lease and shall be and remain liable jointly and severally with Tenant for the payment of the rent and for the due performance of all the terms, covenants, conditions and agreements herein contained on Tenant's part to be performed, for the term of this Lease. No assignment shall be binding on Landlord unless such assignee shall deliver to Landlord an executed instrument in a form which contains a covenant of assumption by the assignee satisfactory in substance and form to Landlord (the "Assumption Document"). The failure or refusal of the assignee to execute the Assumption Document shall not release or discharge the assignee from its liability, and shall provide Landlord with an option to terminate said assignment.

16.9 No Release. No assignment, including pursuant to Section 16.3.4 above, or subletting shall affect the continuing primary liability of Tenant hereunder (which, following such assignment or subletting, shall be joint and several with the assignee or subtenant), and Tenant shall not be released from performing any of the terms, covenants and conditions of this Lease. Notwithstanding the foregoing, if Tenant assigns the Lease to an entity that has a greater net worth than Tenant at the time of the assignment, Tenant shall be relieved of all liability under this Lease.

16.10 Implied Assignment. If the Tenant hereunder is a corporation or limited liability company which, under the then current laws of the state where the Project is situated, is not deemed a public corporation, limited liability company or is an unincorporated association or partnership, the transfer, assignment or hypothecation of any stock or interest in such corporation or limited liability company, association or partnership in the aggregate in excess of forty-nine percent (49%) or more shall be deemed an assignment within the meaning and provisions of this Article 16. If Tenant shall select or appoint some person or entity other than Tenant to manage and control the business conducted in the Premises, and the result thereof shall be substantially similar to the result of a sublease or assignment, then such selection or appointment shall be deemed an assignment within the meaning and provisions of this Article 16.

16.11. Remedies Against Landlord. Tenant's remedy for any breach of this Article 16 by Landlord shall be limited to injunctive relief.

17. DEFAULT

17.1 Events of Defaults. The occurrence of any of the following events shall, at Landlord's option, constitute an "Event of Default":

17.1.1 Intentionally omitted;

17.1.2 Failure to pay Rent on the date when due and the failure continuing for a period of five (5) business days after such payment is due;

17.1.3 Failure to perform Tenant's covenants and obligations hereunder (except default in the payment of Rent) where such failure continues for a period of thirty (30) days after written notice from Landlord; provided, however, if the nature of the default is such that more than thirty (30) days are reasonably required for its cure, Tenant shall not be deemed to be in default if Tenant commences the cure within the thirty (30) day period and diligently and continuously prosecutes such cure to completion;

17.1.4 The making of a general assignment by Tenant for the benefit of creditors; the filing of a voluntary petition by Tenant or the filing of an involuntary petition by any of Tenant's creditors seeking the rehabilitation, liquidation or reorganization of Tenant under any

law relating to bankruptcy, insolvency or other relief of debtors and, in the case of an involuntary action, the failure to remove or discharge the same within sixty (60) days of such filing; the appointment of a receiver or other custodian to take possession of substantially all of Tenant's assets or this leasehold; Tenant's insolvency or inability to pay Tenant's debts or failure generally to pay Tenant's debts when due; any court entering a decree or order directing the winding up or liquidation of Tenant or of substantially all of Tenant's assets; Tenant taking any action toward the dissolution or winding up of Tenant's affairs; the cessation or suspension of Tenant's use of the Premises; or the attachment, execution or other judicial seizure of substantially all of Tenant's assets or this leasehold;

17.1.5 The making of any material misrepresentation or omission by Tenant or any successor in interest of Tenant in any materials delivered by or on behalf of Tenant to Landlord or Landlord's lender pursuant to this Lease;

17.1.6 The occurrence of an Event of Default set forth in Section 17.1.4 or 17.1.5 with respect to any guarantor of this Lease, if applicable;

17.1.7 The occurrence of an Event of Default as otherwise designated as an Event of Default in the Lease.

17.2 Remedies.

17.2.1 Termination. In the event of an occurrence of any Event of Default, per Section 17.1 of this Lease, and after any applicable cure period under California state law and as provided under this Lease, Landlord shall have the right to give a written termination notice to Tenant (which notice may be the notice given under Section 17.1 above, if applicable and which notice shall be in lieu of any notice required by the California Code of Civil Procedure Section 1161, et seq.) and, on the date specified in such notice, this Lease shall terminate unless on or before such date all arrears of Rent and all other sums payable by Tenant under this Lease and all costs and expenses incurred by or on behalf of Landlord hereunder shall have been paid by Tenant and all other Events of Default at the time existing shall have been fully remedied to the satisfaction of Landlord.

17.2.1(A) Repossession. Following termination, without prejudice to other remedies Landlord may have, Landlord may (i) peaceably re-enter the Premises upon voluntary surrender by Tenant or remove Tenant therefrom and any other persons occupying the Premises, using such legal proceedings as may be available; (ii) repossess the Premises or relet the Premises or any part thereof for such term (which may be for a term extending beyond the Term), at such rental and upon such other terms and conditions as Landlord in Landlord's sole and reasonable discretion shall determine, with the right to make reasonable alterations and repairs to the Premises; and (iii) remove all personal property therefrom.

17.2.1(B) Unpaid Rent. Landlord shall have all the rights and remedies of a landlord provided by applicable law, including the right to recover from Tenant: (i) the worth, at the time of award, of the unpaid Rent that had been earned at the time of termination; (ii) the worth, at the time of award, of the amount by which the unpaid Rent that would have been earned after the date of termination until the time of award exceeds the amount of loss of rent that Tenant proves could have been reasonably avoided; (iii) the worth, at the time of award, of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of the loss of rent that Tenant proves could have been reasonably avoided; and (iv) any other amount, and court costs, necessary to compensate Landlord for all detriment proximately caused by Tenant's default. The phrase "worth, at the time of award," as used in (i) and (ii) above, shall be computed at the Applicable Interest Rate, and as used in (iii) above, shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

17.2.2 Continuation. Even though an Event of Default may have occurred, this Lease shall continue in effect for so long as Landlord does not terminate Tenant's right to possession; and Landlord may enforce all of Landlord's rights and remedies under this Lease, including the remedy described in California Civil Code Section 1951.4 ("lessor" may continue Lease in effect after "lessee's" breach and abandonment and recover rent as it becomes due, if "lessee" has the right to sublet or assign, subject only to reasonable limitations) to recover Rent as it becomes due. Landlord, without terminating this Lease, may, during the period Tenant is in default, enter the Premises and relet the same or any portion thereof to third parties for Tenant's account, and Tenant shall be liable to Landlord for all costs Landlord incurs in reletting the Premises, including, without limitation, brokers' commissions, expenses of remodeling the Premises and like costs. Reletting may be for a period shorter or longer than the remaining Term. Tenant shall continue to pay the Rent on the date the same is due. No act by Landlord hereunder, including acts of maintenance, preservation or efforts to lease the Premises or the appointment of a receiver upon application of Landlord to protect Landlord's interest under this Lease, shall terminate this Lease unless Landlord notifies Tenant that Landlord elects to

terminate this Lease. In the event that Landlord elects to relet the Premises, the rent that Landlord receives from reletting shall be applied to the payment of, first, any indebtedness from Tenant to Landlord other than Base Rent and Tenant's Share of Operating Expenses and Real Property Taxes; second, all costs, including maintenance, incurred by Landlord in reletting; and, third, Base Rent and Tenant's Share of Operating Expenses and Real Property Taxes under this Lease. After deducting the payments referred to above, any sum remaining from the rental Landlord receives from reletting shall be held by Landlord and applied in payment of future Rent as Rent becomes due under this Lease. In no event, and notwithstanding anything in Section 16 to the contrary, shall Tenant be entitled to any excess rent received by Landlord. If on the date Rent is due under this Lease, the rent received from the reletting is less than the Rent due on that date, Tenant shall pay to Landlord, in addition to the remaining Rent due, all costs, including maintenance, which Landlord incurred in reletting the Premises that remain after applying the rent received from reletting as provided hereinabove. So long as this Lease is not terminated, Landlord shall have the right to remedy any default of Tenant, to maintain or improve the Premises, to cause a receiver to be appointed to administer the Premises and new or existing subleases and to add to the Rent payable hereunder all of Landlord's reasonable costs in so doing, with interest at the Applicable Interest Rate from the date of such expenditure.

17.3 Cumulative. Each right and remedy of Landlord provided herein or now or hereafter existing at law, in equity, by statute or otherwise shall be cumulative and shall not preclude Landlord from exercising any other rights or remedies provided in this Lease or now or hereafter existing at law or in equity, by statute or otherwise. No payment by Tenant of a lesser amount than the Rent nor any endorsement on any check or letter accompanying any check or payment as Rent shall be deemed an accord and satisfaction of full payment of Rent; and Landlord may accept such payment without prejudice to Landlord's right to recover the balance of such Rent or to pursue other remedies.

18. INTENTIONALLY OMITTED

19. LANDLORD'S AND TENANT'S RIGHT TO CURE DEFAULTS

Landlord, at any time after Tenant commits a default in the performance of any of Tenant's obligations under this Lease, shall be entitled to cure such default, or to cause such default to be cured, at the sole cost and expense of Tenant provided Tenant fails to cure such default within the appropriate notice period set forth in Section 17.2. If, by reason of any said default by Tenant, Landlord incurs any expense or pays any sum, or performs any act requiring Landlord to incur any expense or to pay any sum, including reasonable fees and expenses paid or incurred by Landlord in order to prepare and post or deliver any notice permitted or required by the provisions of this Lease or otherwise permitted or contemplated by law, then the amount so paid or incurred by Landlord shall be immediately due and payable to Landlord by Tenant as additional rent. Tenant hereby authorizes Landlord to deduct said sums from any security deposit held by Landlord. If there is no security deposit, or if Landlord elects not to use any such security deposit, then such sums shall be paid by Tenant immediately upon demand by Landlord, and shall bear interest at the then existing federal reserve discount rate in San Francisco plus two percent (2%) per annum from the date of such demand until paid in full.

Landlord shall not be deemed to be in default in the performance of any obligation under this Lease, and Tenant shall have no rights to take any action against Landlord, unless and until Landlord has failed to perform the obligation within thirty (30) days after written notice by Tenant to Landlord specifying in reasonable detail the nature and extent of the failure; provided, however, that if the nature of Landlord's obligation is such that more than thirty (30) days are required for its performance, then Landlord shall not be deemed to be in default if it commences performance within the thirty (30) day period and thereafter diligently pursues the cure to completion. In the event that Landlord fails to perform the obligation within thirty (30) days after written notice by Tenant to Landlord, or if having commenced such performance, Landlord does not diligently pursue it to completion, then Tenant may elect to cure said default Landlord's expense. Tenant shall document the actual and reasonable costs incurred by Tenant to perform such cure, and supply said documentation to Landlord with a written request for reimbursement, and Landlord shall reimburse Tenant for all such costs within thirty (30) days after receipt of such request for reimbursement, with interest at the Lease Interest Rate accruing from the date Tenant incurred such costs. In the event Owner fails to reimburse Tenant within such thirty (30) day period, Tenant may offset such reimbursement amount from amounts to be paid by Tenant to Landlord hereunder.

20. WAIVER OF BREACH; ACCORD AND SATISFACTION

Any waiver by any party hereto of any breach by any party of any covenant or provision of this Lease shall be effective only if in writing and signed by the waiving party and shall not be, nor be construed to be, a waiver of any subsequent breach of the same or any other term or provision hereof. Landlord's receipt and deposit of a partial payment from Tenant of any sum due hereunder shall not constitute a waiver by Landlord of the right to require payment of the balance due, nor constitute an accord or satisfaction of Tenant's obligation, unless expressly agreed by Landlord in writing.

21. SUBORDINATION; ESTOPPEL

21.1 Subordination and Attornment. Tenant covenants and agrees that, within ten (10) business days from Landlord's written request, it will execute without further consideration instruments reasonably requested by Landlord or Landlord's mortgagee subordinating this Lease in the manner requested by Landlord to all ground or underlying leases and to the lien of any mortgage and/or any deed of trust or other encumbrance which may now or hereafter affect the Premises and/or the Project, or any portion thereof, together with all renewals, modifications, consolidations, replacements or extensions thereof; provided that any lienor or encumbrancer relying on such subordination or such additional agreements will covenant with Tenant that this Lease shall remain in full force and effect, and Tenant shall not be disturbed in the event of sale, foreclosure or other actions so long as Tenant is not in default hereunder. Tenant agrees to attorn to the successor in interest of Landlord following any transfer of such interest either voluntarily or by operation of law and to recognize such successor as Landlord under this Lease. However, if Landlord or any such ground lessor or mortgagee so elects, this Lease shall be deemed prior in lien to any ground lease, mortgage, deed of trust or other encumbrance upon or including the Premises regardless of date of recording, and Tenant will execute a statement in writing to such effect at Landlord's request.

21.2 Assignment. In the event that any mortgagee or its respective successor in title shall succeed to the interest of Landlord hereunder, the liability of such mortgagee or successor shall exist only so long as it is the owner of the Premises or any interest therein, or is the tenant under any ground or underlying lease referred to in Section 21.1 above. No additional rent or any other charge shall be paid more than ten (10) days prior to the due date thereof and payments made in violation of this provision shall (except to the extent that such payments are actually received by a mortgagee) be a nullity as against any mortgagee and Tenant shall be liable for the amount of such payments to such mortgagee.

21.3 Conditions for Tenant's Termination. No act or failure to act on the part of Landlord which would entitle Tenant under the terms of this Lease, if any, or by law, to be relieved of Tenant's obligations hereunder or to terminate this Lease, shall result in a release or termination of such obligations or a termination of this Lease unless (i) Tenant shall have first given written notice of Landlord's act or failure to act to Landlord's mortgagees of record, if any, specifying the act or failure to act on the part of Landlord which could or would give basis to Tenant's rights, and (ii) such mortgagees, after receipt of such notice, have failed or refused to correct or cure the condition complained of within a "reasonable time" thereafter; but nothing contained in this Section 21.3 shall be deemed to impose any obligation on any such mortgagee to correct or cure any such condition. "Reasonable time" as used above means and includes a reasonable time to obtain possession of the mortgaged premises if the mortgagee elects to do so, and a reasonable time to correct or cure the condition if such condition is determined to exist.

21.4 Estoppel Certificates. Within ten (10) business days after written request by Landlord, Tenant shall execute and deliver to Landlord an estoppel statement in the form of Exhibit L attached hereto and incorporated herein by this reference, or in such other form as Landlord may reasonably request, or as a prospective purchaser or encumbrancer of the Premises or Project may reasonably request. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrancer of the Premises or of all or any portion of the Project. Tenant's failure to deliver such statement within ten (10) business days of Landlord's written request therefor shall constitute the irrevocable, binding agreement of Tenant (i) that this Lease is in full force and effect, without modification except as may be represented by Landlord, (ii) that there are no uncured defaults in Landlord's performance hereunder, (iii) that not more than one monthly installment of the Minimum Monthly Rent has been paid in advance, and (iv) that any terms or conditions of such estoppel certificate as may be required by a prospective purchaser or encumbrancer of the Premises are satisfied and agreed to by the parties. Further, such failure to deliver such certificate (showing any exceptions to any of the statements of fact required thereby) shall constitute a material breach of this Lease. Notwithstanding the foregoing, Tenant shall also have the right to request an estoppel from Landlord in a form as Tenant may reasonably request.

22. SIGNS AND ADVERTISING (*Continued on Exhibit I attached hereto*)

Tenant shall have the right, at Tenant's sole cost and expense, to install, place and maintain a new sign to display its trade name at a location approved by Landlord, which sign shall conform to the reasonable requirements of Landlord as outlined in Exhibit I hereto, and all governmental agencies having jurisdiction as to size and format. Except as required above, Tenant shall not erect or install any exterior signs or window or door signs, or window or door lettering or placards, or any other advertising media visible from the common areas (whether on or up to twenty-four [24] inches behind the windows), without obtaining Landlord's prior written consent in each instance, which consent shall not be unreasonably withheld. Tenant shall not install any exterior decoration, banner or painting, or build any fences, or install any radio or television antennae, loud speakers, sound amplifiers or similar devices on the roof or exterior walls of the Premises, or make any material changes to the improvements within the Premises visible from any portion of the common area of the Project without Landlord's prior written consent in each instance, which consent shall not be unreasonably withheld. Landlord may, in its discretion, require Tenant to procure material, payment and/or performance bonds from Tenant's sign contractor, as a condition to granting its consent. As used in this Article 22, Landlord's refusal to consent to certain signage or other media shall be deemed to be reasonable if such signage or other media shall not conform to Landlord's sign criteria set forth in Exhibit I attached hereto. Landlord's failure to approve Tenant's signage proposal within five (5) business days after Tenant's request therefor shall be deemed a disapproval. Tenant agrees and covenants to comply with all of Landlord's sign criteria as set forth in Exhibit I attached hereto and the rules and regulations promulgated by the responsible governmental authorities. Landlord shall have the right from time to time to promulgate amendments thereto and additional and new sign criteria. After delivery of a copy of such amendments and additional and new sign criteria, Tenant shall cause all signage thereafter installed to comply therewith. A violation of any of such sign criteria shall constitute a default by Tenant under this Lease. If there is a conflict between the said sign criteria and any of the provisions of this Lease, the provisions of this Lease shall prevail. Landlord's approval of Tenant's preliminary plans, specifications and sign design shown therein shall constitute Landlord's initial approval of Tenant's signs. No freestanding sign shall be allowed on the Premises.

23. RIGHTS RESERVED TO LANDLORD

23.1 Right of Entry. Landlord reserves to itself and shall at any and all times have the right, upon forty-eight (48) hours' prior notice to Tenant, to enter the Premises, at reasonable times, to inspect the same, to display the Premises to prospective purchasers or tenants, to post and maintain any notice deemed necessary by Landlord for the protection of its interest (including, without limitation, notices of nonresponsibility), to repair the Premises or any other portion of the Project, and to install, use, maintain and replace equipment, machinery, pipes, conduits and wiring throughout, beneath or above the Premises, which serve other parts of the Project, if any; all without being deemed guilty of any eviction of Tenant and without abatement of rent; and Landlord may, in order to carry out such purposes, erect scaffolding and other necessary structures where reasonably required by the character of the work to be performed, and keep and store upon the Premises all tools, materials and equipment necessary for such purposes, provided that the business of Tenant shall be interfered with as little as is reasonably practicable. With respect to the exercise of such rights and the carrying on of such activities by Landlord or any agent, contractor or employee of Landlord, except for their gross negligence or intentionally wrongful acts, Tenant hereby waives any claim for damages for any injury to property or person or any injury or inconvenience to or interference with Tenant's business, for any loss of occupancy or quiet enjoyment of the Premises, or for any other loss occasioned thereby; and Tenant hereby releases Landlord, its agents, contractors and employees, except for their gross negligence or intentionally wrongful acts, from any and all claims for such damages or loss. Landlord shall have the right to use any and all means which Landlord may deem proper to open doors to the Premises in an emergency in order to obtain entry, and any entry to the Premises obtained by Landlord by any of such means, or otherwise, shall not under any circumstances be construed or deemed to be a forcible or unlawful entry into, or a detainer of, or an eviction of Tenant from, the Premises or any portion thereof, and any damages caused on account thereof shall be paid by Tenant. In addition, in an emergency situation Landlord shall only be required to give Tenant prior notice if and to the extent reasonable under the circumstances.

23.2 Additional Rights of Landlord. Landlord further reserves to itself and shall at any and all times have the right:

23.2.1 To change the street address of the Premises and/or the name or street address of the Project;

23.2.3 To install and maintain signs in the Project at such locations as Landlord shall deem advisable, other than within the Premises;

23.2.4 To decorate, remodel, alter or otherwise repair the Premises for reoccupancy during the last six (6) months of the term hereof if, during or prior to such time, Tenant has vacated the Premises;

23.2.5 To grant to anyone the exclusive right to conduct any business or render any service in the Project, provided such exclusive right shall not operate to completely exclude Tenant from the use expressly permitted by this Lease; and

23.2.6 To effect such other tenancies in the Project as Landlord in the exercise of its sole business judgment shall determine to best promote the interests of the Project. Tenant does not rely on the fact nor does Landlord represent that any specific tenant or number of tenants shall, or shall not, during the term of this Lease occupy any space in the Project.

24. SALE OR TRANSFER OF PREMISES; LANDLORD'S RIGHT TO MORTGAGE

24.1 Sale or Transfer by Landlord. If Landlord sells or transfers all or any portion of the Premises, or the Building, improvements and land of which the Premises are a part, then Landlord, on consummation of the sale or transfer, shall be released from any liability thereafter accruing under the Lease. If any security deposit or prepaid rent has been paid by Tenant, Landlord shall transfer the security deposit or prepaid rent to Landlord's successor and on such transfer Landlord shall be discharged from any further liability with respect thereto.

24.2 Landlord's Right to Mortgage. Landlord shall have the right to cause this Lease to be and become and remain subject and subordinate to any mortgages or deeds of trust which may hereafter be executed covering the Project or the Premises, the real property thereunder, or any portion thereof, for the full amount of all advances made or to be made thereunder and without regard to the time of character of such advance, together with interest thereon, and subject to all the terms and provisions thereof; provided that Landlord or the holder of the security interest will recognize Tenant's rights under this Lease.

25. SURRENDER; WAIVER OF REDEMPTION; HOLDING OVER

25.1 Surrender of Premises. Tenant shall have no obligation to remove any alterations, additions, improvements, or changes made to the Premises after the Commencement Date, unless specifically stated in Landlord's consent, at the expiration or early termination of the Lease. Tenant shall have no right or obligation to remove any of Landlord's Work or any other alterations, additions, improvements, or changes made by or on behalf of Landlord at the Premises. Tenant shall surrender to Landlord the Premises and all alterations and additions thereto broom clean and in good order, repair and condition (except for ordinary wear and tear). Tenant shall remove all personal property and trade fixtures prior to the expiration of the Term, including any signs, notices and displays placed by Tenant. Tenant shall perform all reasonably necessary restoration, including, without limitation, restoration made reasonably necessary by the removal of Tenant's personal property or trade fixtures prior to the expiration or termination of this Lease. Tenant shall have no obligation to change the character of or possible uses for the Building.Landlord can elect to retain or dispose of, in any manner, any alterations, utility installations, trade fixtures or personal property that Tenant does not remove from the Premises on expiration or termination of the Lease term as allowed or required by this Lease. Title to any such alterations, utility installations, trade fixtures or personal property that Landlord elects to retain or dispose of on expiration of the Lease term shall automatically vest in Landlord. Tenant waives all claims against Landlord for any damage to Tenant resulting from Landlord's retention or disposition of any such alterations, utility installations, trade fixtures or personal property. Tenant shall be liable to Landlord for Landlord's costs for storing, removing and disposing of any alterations, utility installations, trade fixtures or personal property and shall indemnify and hold Landlord harmless from the claim of any third party to an interest in such alterations, utility installations, trade fixtures or personal property.

25.2 Holding Over. Tenant shall have no legal right to holdover. If Tenant holds over the Premises or any part thereof after expiration of the term of this Lease, such holding over shall, at Landlord's option, constitute a month-to-month tenancy, at a rent equal to one hundred twenty-five percent (125%) of the Minimum Monthly Rent in effect immediately prior to such holding over and shall otherwise be on all the other terms and conditions of this Lease. Landlord's acceptance of any payment provided hereunder shall not be construed as Landlord's permission for Tenant to hold over. Acceptance of rent by Landlord following expiration or termination shall not constitute a renewal of this Lease or extension of the Lease term except as specifically set forth above. If Tenant fails to surrender the Premises upon expiration or earlier termination of this Lease, Tenant shall indemnify and hold Landlord harmless from and against all loss or liability resulting or arising out of Tenant's failure to surrender the Premises, including, but not limited to, any amounts required to be paid to any tenant or prospective tenant who was to have occupied the Premises after the expiration or earlier termination of this Lease and any related attorney's fees and brokerage commissions.

26. HAZARDOUS MATERIALS

26.1 Definitions.

26.1.1 Hazardous Material. Hazardous Material means any substance:

(i) the presence of which requires investigation or remediation under any federal, state or local statute, regulation, ordinance, order, action, policy, or common law; or

(ii) which is or becomes defined as a "hazardous waste", "hazardous substance", "hazardous materials", "toxic substances", pollutant, or contaminant under any federal, state, or local statue, regulation, rule, or ordinance or amendments thereto including, without limitation, the Federal Water Pollution Control Act (33 U.S.C. Section 1251, et seq.), Resource Conversation & Recovery Act (42 U.S.C. Section 6901 et seq.), Safe Drinking Water Act (42 U.S.C. Section 300(f) et seq.), Toxic Substances Control Act (15 U.S.C. Section 2601 et seq.), the Clean Air Act (42 U.S.C. Section 7401 et seq.), Comprehensive Environmental Response of Compensation and Liability Act (42 U.S.C. Section 9601 et seq.), California Health & Safety Code (Sections 25100 et seq. and 39000 et seq.), California Water Code (Section 13000 et seq.), and other comparable state laws relating to industrial hygiene, environmental protection or the use, analysis, generation, manufacture, storage, disposal or transportation of Hazardous Materials; or

(iii) which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic, or otherwise hazardous and is or becomes regulated by any governmental authority, agency, department, commission, board, agency, or instrumentality of the United States, the State of California or any political subdivision thereof.

26.1.2 Environmental Requirements. Environmental Requirements means all applicable present and future statutes, regulations, rules, ordinances, codes, licenses, permits, orders, approvals, plans, authorizations, concessions, franchises, and similar items, of all government agencies, departments, commissions, boards, bureaus, or instrumentalities of the United States, states, and political subdivisions thereof and all applicable judicial, administrative, and regulatory decrees, judgments, and orders relating to the protection of human health or the environment, including, without limitation: (a) all requirements, including but not limited to those pertaining to reporting, licensing, permitting, investigation, and remediation of emissions, discharges, releases, or threatened releases of Hazardous Materials, chemical substances, pollutants, contaminants, or hazardous or toxic substances, materials or wastes whether solid, liquid, or gaseous in nature, into the air, surface water, groundwater, or land, relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling of chemical substances, pollutants, contaminants, or hazardous or toxic substances, materials, or wastes, whether solid, liquid, or gaseous in nature; and (b) all requirements pertaining to the protection of the health and safety of employees or the public.

26.1.3 Environmental Damages. Environmental Damages means all claims, judgments, damages, losses, penalties, fines, liabilities (including strict liability), encumbrances, liens, costs, and expenses of investigation and defense of any claim, whether or not such claim is untimely defeated, and of any good faith settlement of judgment, of whatever kind or nature, contingent or otherwise, matured or unmatured, foreseeable or unforeseeable, including without limitation reasonable attorneys' fees and disbursements and consultants' fees, any of which are incurred at any time as a result of Tenant's use, storage, or disposal of Hazardous Materials on the Premises or the existence of a violation of Environmental Requirements on the Premises, and including without limitation: (a) damages for personal injury, or injury to property or natural resources occurring upon or off of the Premises, foreseeable or unforeseeable, including, without limitation, lost profits, consequential damages, the cost of demolition and rebuilding of any improvements on real property, interest and penalties including but not limited to claims brought by or on behalf of employees of Tenant with respect to which Tenant waives any immunity to which it may be entitled under any industrial or worker's compensation laws; (b) fees incurred for the services of attorneys, consultants, contractors, experts, and laboratories and all other costs incurred in connection with the investigation or remediation of such Hazardous Materials in violation of Environmental Requirements including, but not limited to, the preparation of any feasibility studies or reports or the performance of any cleanup, remediation, removal, response, abatement, containment, closure, restoration, or monitoring work required by any federal, state, or local governmental agency or political subdivision, or reasonably

necessary to make full economic use of the Premises or any other property in a manner consistent with its current use or otherwise expended in connection with such conditions, and including without limitation any attorneys' fees, costs, and expenses incurred in enforcing this Lease or collection of any sums due hereunder; (c) liability to any third person or government agency to indemnify such person or agency for costs expended in connection with the items referenced above; and (d) diminution in the value of the Premises, and damages for the loss of business and restriction on the use of or adverse impact on the marketing of rentable or usable space or of any amenity of the Premises.

26.2 Prohibited Uses. Tenant shall not cause or give permission for the use (except for minimal quantities of any substance which technically could be considered a Hazardous Material provided (i) such substance is of a type normally used by Tenant, and (ii) Tenant complies with all legal requirements applicable to such Hazardous Material) of any substances, materials or wastes subject to regulation under legal requirements from time to time in effect concerning hazardous, toxic or radioactive materials, on or about the Premises, unless Tenant shall have received Landlord's prior written reasonable consent.

26.3 Obligation to Indemnify, Defend, and Hold Harmless. Tenant and its successors, assigns and guarantors, agreed to indemnify, defend, reimburse, and hold harmless (a) Landlord and its agents, successors and assigns, (b) any other person who acquires a portion of the Premises in any manner, including but not limited to the purchase, at a foreclosure sale or otherwise through the exercise of the rights and remedies of Landlord under this agreement, and (c) the directors, officers, shareholders, employees, partners, agents, contractors, subcontractors, experts, licensees, affiliates, lessees, mortgagees, trustees, heirs, devisees, successors, assigns, and invitees of such persons, from and against any and all Environmental Damages arising from the presence of Hazardous Materials used, stored, disposed of or brought upon, about, or beneath the Premises by Tenant, or Tenant's agents, contractors, vendors or invitees (collectively the "Tenant Parties") or any such Hazardous Materials migrating from the Premises, or arising in any manner as a result of the Tenant Parties' violation of any Environmental Requirements and the Tenant Parties' activities thereon, unless to the extent such Environmental Damages exist as a direct result of the negligence or willful misconduct of Landlord.

Tenant's obligation hereunder shall include, but not be limited to, the burden and expense of defending all claims, suits, and administrative proceedings (with counsel reasonably approved by Landlord), conducting all negotiations of any description, and paying and discharging, when and as the same become due, any and all judgments, penalties or other sums due against such indemnified persons and to remediate the Premises pursuant to Section 26.4 below. Landlord at its sole expense may employ additional counsel of its choice to associate with counsel representing Tenant. Notwithstanding anything contained herein to the contrary, Tenant shall in no event be held liable or responsible (including without limitation, for the removal or encapsulation thereof) for any Hazardous Materials migrating from the Premises or existing in or upon the Premises prior to the date Tenant accepts possession of the same.

Tenant's obligations hereunder shall survive the expiration or earlier termination of this Lease, the discharge of all other obligations owned by the parties to each other, and any transfer of title to the Premises (whether by sale, foreclosure, deed in lieu of foreclosure or otherwise).

The obligations of Tenant under this paragraph shall not apply to any Environmental Damages, the violation of any Environmental Requirements or the presence of any Hazardous Material to the extent that such condition or event arose or existed prior to the effective date of this Lease, migrated onto the Premises prior to or after the effective date of this Lease through no violation of Environmental Requirements by Tenant or its agents, or was not caused by Tenant, Tenant's agents, employees or invitees. As a result of any pre-existing Environmental Damages or the presence of any Hazardous Materials prior to the date Tenant accepts possession of the Premises, in the event any legal requirement or governmental entity requires the Premises to be inspected, tested or surveyed for the presence of any Hazardous Materials prior to or during Tenant's occupancy of the Premises, Landlord, at its sole cost and expense, shall perform such required activities.

26.4 Obligation to Remediate. Pursuant to Section 26.3 of the Lease, Tenant shall, upon demand of Landlord, and at its sole cost and expense, promptly take all actions to remediate the Premises which are required by any federal, state, or local government agency or political subdivision or which are reasonably necessary to mitigate Environmental Damages for which Tenant is obligated above. Such actions shall include, but not be limited to, the investigation of the environmental condition of the Premises, the preparation of any feasibility studies, reports, or remedial plans, and the performance of any cleanup, remediation,

containment, operations, maintenance, monitoring, or restoration work, whether on or off the Premises. Tenant shall further take all actions necessary to restore the Premises to a substantially similar condition existing prior to Tenant's introduction of Hazardous Material upon, about or beneath the Premises, notwithstanding any lesser standards of remediation allowed under applicable law or governmental policies. All such work shall be performed by one or more contractors, selected by Tenant and reasonably approved in advance and in writing by Landlord. Tenant shall proceed continuously and diligently with such investigatory and remedial actions, provided that in all cases such actions shall be in accordance with all applicable requirements of government entities. Any such actions shall be performed in a good, safe, and workmanlike manner and shall minimize any impact on the businesses conducted on the Premises and/or those businesses conducted at the Project. Tenant shall pay all costs in connection with such investigatory and remedial activities, including but not limited to all power and utility costs, and any and all taxes or fees that may be applicable to such activities. Tenant shall promptly provide to Landlord copies of testing results and reports that are generated in connection with the above activities and that are submitted to any government entity. Promptly upon completion of such investigation and remediation, Tenant shall permanently seal or cap all monitoring wells and test holes to industrial standards in compliance with applicable federal, state, and local laws and regulations, remove all associated equipment, and restore the Premises which shall include, without limitation, the repair of any surface damage, including paving, caused by such investigation or remediation hereunder. Within thirty (30) days of demand therefor, Tenant shall provide Landlord with a bond, letter of credit, or similar financial assurance evidencing that the necessary funds are available to perform the obligation established by this paragraph.

26.5 Notification. If Tenant shall become aware of or receives notice of any actual, alleged, suspected, or threatened violation of Environmental Requirements, or liability of Tenant for Environmental Damages in connection with the Premises or past or present activities of any person thereon, including but not limited to notice or other communication concerning any actual or threatened investigation, inquiry, lawsuit, claim, citation, directive, summons, proceeding, complaint, notice, order, writ, or injunction, relating to same, then Tenant shall deliver to Landlord, within ten (10) days of the receipt of such notice or communication by Tenant, a written description of said violation, liability, correcting information, or actual threatened event or condition, together with copies of any documents evidencing same. Receipt of such notice shall not be deemed to create any obligation on the part of Landlord to defend or otherwise respond to any such notification.

26.6 Termination of Lease. Upon the expiration or earlier termination of the Lease term, Tenant shall surrender possession of the Premises to Landlord free of contamination attributable to Hazardous Materials that are in excess of concentrations permitted by any applicable Environmental Requirements and that Tenant is obligated to remediate pursuant to Section 26.3 above. Tenant shall further take all actions necessary to restore the Premises to a substantially similar condition existing prior to Tenant's introduction of Hazardous Material upon, about or beneath the Premises, notwithstanding any lesser standards of remediation allowed under applicable law or governmental policies. In addition to all other remedies available to Landlord hereunder, Tenant expressly agrees that even though Tenant's right of occupancy shall have terminated, Tenant shall remain liable to pay Landlord an amount per month (or a pro rata portion thereof) equal to one hundred twenty-five percent (125%) of the Minimum Monthly Rent in effect for the month immediately preceding the month of expiration or earlier termination (less any amounts received by Landlord from any other occupant of the Premises during this period), until Tenant shall have surrendered possession of the Premises to Landlord free of any such Hazardous Materials.

26.7 Toxic Substances Disclosure. The parties acknowledge the obligation of Tenant to advise Landlord concerning Hazardous Materials located upon the Premises pursuant to the provisions of California Health and Safety Code Section 25359.7. The parties hereby agree that this Section 26.7 constitutes the notice required pursuant to said statute and Landlord hereby waives its right to further notice pursuant to such statute to the extent described herein. The parties acknowledge that Tenant shall maintain and use certain substances upon the Premises which may be classified as "hazardous substances" to clean and maintain the Premises. The parties acknowledge that the use of any of such substances which may be a "hazardous substance" within the scope of Health and Safety Code Section 25359.7 shall not constitute a breach of this Lease and shall require no further notice from Tenant. Tenant agrees, however, that the use of other Hazardous Materials upon the Premises is not subject to the terms of this notice and waiver and Tenant shall be obligated to report the existence of such other Hazardous Materials pursuant to the requirements of Health and Safety Code Section 25359.7.

26.8 Landlord's Warranty. To the best of Landlord's knowledge, Landlord represents and warrants that no Environmental Damages, violations of any Environmental Requirements or the presence of any Hazardous Material exist with respects to the Premises.

27. INTENTIONALLY OMITTED

28. WRITTEN NOTICES

Whenever under this Lease a provision is made for any demand, notice or declaration of any kind or where it is deemed desirable or necessary by either party to give or serve any such notice, demand or declaration to the other, it shall be in writing and (i) served personally, (ii) sent by registered or certified mail, return receipt requested, with postage prepaid, or (iii) sent by a private overnight express carrier, addressed to Tenant or Landlord, as the case may be, at the notice address specified for each in the Basic Provisions. Either party may by like notice at any time and from time to time designate a different address to which notices shall be sent. Mailed notices shall be effective upon the earlier of (a) actual receipt as evidenced by the return-receipt or (b) three (3) days after mailing. Notices sent by overnight carrier shall be effective as of the next business day. Notices personally served shall be effective immediately upon delivery.

29. JOINT AND SEVERAL LIABILITY

Each person or entity named as a Tenant in this Lease, or who hereafter becomes a party to this Lease as a tenant in the Premises, or as a permitted assignee or subtenant of Tenant, shall be jointly and severally liable for the full and faithful performance of each and every covenant and obligation required to be performed by Tenant under the provisions of this Lease.

30. BINDING ON SUCCESSORS, ETC.

Landlord and Tenant agree that each of the terms, conditions, and obligations of this Lease shall extend to and bind, or inure to the benefit of (as the case may require), the respective parties hereto, and each of their respective heirs, executors, administrators, representatives, and permitted successors and assigns.

31. ATTORNEYS' FEES

In the event that any legal action is instituted by either of the parties hereto to enforce or construe any of the terms, conditions or covenants of this Lease, or the validity thereof, the party prevailing in any such action shall be entitled to recover from the other party all court costs and a reasonable attorneys' fee to be set by the court or arbitrator, and the costs and fees incurred in enforcing any judgment entered therein.

32. FURTHER ASSURANCES

Each of the parties hereto agrees to perform all such acts (including, but not limited to, executing and delivering such instruments and documents) as reasonably may be necessary to fully effectuate each and all of the purposes and intent of this Lease.

33. CONSTRUCTION OF LEASE

The term and provisions of this Lease shall be construed in accordance with the laws of the State of California as they exist on the date hereof.

The parties agree that the terms and provisions of this Lease embody their mutual intent and that they are not to be construed more liberally in favor of, or more strictly against, any party hereto.

When the context in which words are used in this Lease indicates that such is the intent, words in the singular number shall include the plural and vice versa, and words in the masculine gender shall include the feminine and neuter genders and vice versa.

The Article, Section and subsection headings contained in this Lease are for purposes of identification and reference only and shall not affect in any way the meaning or interpretation of any provision of this Lease.

Unless otherwise specifically indicated to the contrary, the word "days" as used in this Lease shall mean and refer to calendar days.

Except as otherwise provided herein, wherever in this Lease the consent of a party is required to any act by or for the other party, such consent shall not be unreasonably withheld or delayed. Landlord's actual reasonable costs and expenses (including architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Tenant for any Landlord consent shall be paid by Tenant upon receipt of an invoice and supporting documentation therefore. Landlord's consent to any act, assignment or subletting shall not constitute an acknowledgment that no default or breach by Tenant of this Lease exists, nor shall such consent be deemed a waiver of any then existing default or breach. The failure to specify herein any particular condition to Landlord's consent shall not preclude the imposition by Landlord at the time of the consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given.

The word "Tenant" shall be deemed and taken to mean each and every person or party mentioned as a tenant herein, whether or not one or more, and if there shall be more than one tenant, any notice required or permitted by the terms of this Lease may be given by or to any one thereof and shall have the same force and effect as if given by or to all thereof. The use of the neuter singular pronoun to refer to Tenant shall be deemed a proper reference even though Tenant may be an individual, a partnership, a corporation, a limited liability company, or a group of two or more individuals or corporations. The necessary grammatical changes required to make the provisions of this Lease apply in the plural sense where there is more than one Tenant and to either corporations, limited liability companies, associations, partnership or individuals, males or females, shall in all instances be assumed as though in each case fully expressed.

34. PARTIAL INVALIDITY

If any term or provision of this Lease or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Lease or the application of such term or provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and be enforceable to the fullest extent permitted by law.

35. RECORDING

Neither this Lease nor any memorandum of this Lease shall be recorded without the prior written consent of Landlord and its mortgage lenders.

36. COMPLETE AGREEMENT

It is understood that there are no oral agreements or representations between the parties hereto affecting this Lease, and this Lease supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements or representations and understandings, if any, between the parties hereto or displayed by Landlord to Tenant with respect to the subject matter thereof, and none thereof shall be used to interpret or construe this Lease. There are no representations or warranties between the parties other than those contained in this Lease and all reliance by the parties hereto with respect to representations and warranties is solely upon the representations and warranties contained in this document. This Lease, and the Attachments and Exhibits hereto, constitute the entire agreement between the parties and may not be altered, amended, modified, or extended except by an instrument in writing signed by the parties hereto.

37. NO IMPLICATION OF EXCLUSIVE USE

Nothing contained in this Lease shall be deemed to give Tenant an express or implied exclusive right to operate any particular type of business in the Project.

38. TENANT A CORPORATION OR LIMITED LIABILITY COMPANY

In the event Tenant (or Tenant's general partner) hereunder shall be a corporation or limited liability company, the parties executing this Lease on behalf of the Tenant hereby covenant and warrant that Tenant (or Tenant's general partner) is a duly qualified corporation or company and all steps have been taken prior to the date hereof to qualify Tenant to do business in the state wherein the Project is situated and all franchise and corporate taxes have been paid to date; and all future forms, reports, fees and other documents necessary to comply with applicable law will be filed when due. Each individual executing this Lease on behalf of said corporation or company represents and warrants that he is duly authorized to execute and deliver this Lease on behalf of said corporation or company in accordance with the bylaws of said corporation (or operating agreement of said company), and that this Lease is binding upon said corporation or company in accordance with its terms.

39. SUBMISSION OF DOCUMENT

The submission of this document for examination and negotiation does not constitute an offer to lease, or a reservation of, or option for, the Premises. This document shall become effective and binding only upon execution and delivery hereof by Tenant and by Landlord (or, when duly authorized, by Landlord's agent or employee). No act or omission of any agent of Landlord or of Landlord's broker shall alter, change or modify any of the provisions hereof.

40. NO PERSONAL OBLIGATION OF LANDLORD

The obligations of Landlord under this Lease do not constitute personal obligations of the individual limited partners of the limited partnership which is Landlord herein, and Tenant shall look solely to the real estate that is the subject of this Lease and to no other assets of Landlord for satisfaction of any liability in respect of this Lease and will not seek recourse against the partners of the limited partnership which is Landlord herein, nor against any of its or their assets for such satisfaction.

41. EXCAVATION

Landlord shall have the right to utilize the land on which the Project is located (the "Land") for purposes of excavation and shall have the right to authorize the use of, and grant licenses and easements over, the Land to owners of adjacent property or governmental authorities for excavation purposes. If an excavation is made upon the Land or any of the Land adjacent to the Building by Landlord or said owner of adjacent property, Tenant shall license and authorize Landlord or said owner to enter on to the Premises for the purpose of performing such work in connection with the excavation as may be necessary or prudent to preserve the Building from injury or damage. Tenant shall have no claim for damages or indemnity against Landlord or any right to abatement of rent in connection therewith, unless such excavation materially affects Tenant's use of the Premises.

42. ARBITRATION

Any dispute between the parties hereto (except for any event of default or dispute regarding the payment of rent, either (or both) of which Landlord shall be entitled to its remedies under Article 17 hereof, and except for any dispute for which the Superior Court for the location in which the Premises are situated has jurisdiction by virtue of the California Code of Civil Procedure, Section 1161 *et. seq* [as the same may be recodified or amended from time to time]) shall be determined by arbitration. Whenever any such dispute arises between the parties hereto in connection with the Premises or this Lease and either party give written notice to the other that such dispute shall be determined by arbitration, then within thirty (30) days after the giving of the notice, both parties shall select and hire one member of the panel of Judicial Arbitration and Mediation Services, Inc. ("Judge"). The Judge shall be a retired judge experienced with commercial real property lease disputes in the County in which the Premises are located. As soon as reasonably possible, but no later than forty (40) days after the Judge is selected, the Judge shall meet with the parties at a location reasonably acceptable to Landlord, Tenant and the Judge. The Judge shall determine the matter within ten (10) days after any such meeting. Each party shall pay half the costs and expenses of the Judge.

If Judicial Arbitration and Mediation Services, Inc. ceases to exist, and either party gives written notice to the other that a dispute shall be determined by arbitration, then, unless agreed otherwise in writing by the parties, all arbitrations hereunder shall be governed by California Code of Civil Procedure Sections 1280 through 1294.2, inclusive, as amended or recodified from time to time, to the extent they do not conflict with this Article. Within ten (10) days after delivery of such notice, each party shall select an arbitrator with at least five (5) years' experience in commercial real property leases in the County in which the Premises are located and advise the other party of its selection in writing. The two arbitrators so named shall meet promptly and seek to reach a conclusion as to the matter to be determined, and their decision, rendered in writing and delivered to the parties hereto, shall be final and binding on the parties. If said arbitrators shall fail to reach a decision within ten (10) days after the appointment of the second arbitrator, said arbitrators shall name a third arbitrator within the succeeding period of five (5) days. Said three (3) arbitrators thereafter shall meet promptly for consideration of the matter to be determined and the decision of any two (2) of said arbitrators rendered in writing and delivered to the parties hereto shall be final and binding on the parties.

If either party fails to appoint an arbitrator within the prescribed time, and/or if either party fails to appoint an arbitrator with the qualifications specified herein, and/or if any two arbitrators are unable to agree upon the appointment of a third arbitrator within the prescribed time, then the Superior Court of the County in which the Premises is located may, upon request of any party, appoint such arbitrators, as the case may be, and the arbitrators as a group shall have the same power and authority to render a final and binding decision as where the appointments are made pursuant to the provisions of the preceding paragraph. All arbitrators shall be individuals with at least five (5) years' experience negotiating or arbitrating disputes arising out of commercial real property leases in the County where the Premises are located. All determinations by arbitration hereunder shall be binding upon Landlord and Tenant.

Any determination by arbitration hereunder may be entered in any court having jurisdiction.

END OF THE STANDARD TERMS & CONDITIONS

ATTACHMENT 1

RULES AND REGULATIONS

1. No automobile, recreational vehicle or any other type of vehicle or equipment shall remain upon the Common Area longer than 24 hours, and no vehicle or equipment of any kind shall be dismantled or repaired or serviced on the Common Area. All vehicle parking shall be restricted to areas designated and marked for vehicle parking. The foregoing restrictions shall not be deemed to prevent temporary parking for loading or unloading of vehicles in designated areas.

2. Tenant and its agents and invitees shall not obstruct the sidewalks, common halls, passageways, driveways, entrances and exits of any Building; such facilities shall be used only for ingress to and egress from the Premises and other buildings, if any, in the Project.

3. Signs will conform to sign standards and criteria established from time to time by Landlord. Excepting any signs specifically permitted in the Lease, no other signs, placards, pictures, banners, advertisements, names or notices shall be inscribed, displayed or printed or affixed on or to any part of the outside or inside of the building without the written consent of Landlord, and Landlord shall have the right to remove any such non-conforming signs, placards, pictures, banners, advertisements, names or notices without notice to and at the expense of Tenant.

4. No antenna, aerial, discs, dishes or other such device shall be erected on the roof or exterior walls of the Building or on the grounds without the written consent of the Landlord in each instance. Any device so installed without such written consent shall be subject to removal without notice at any time.

5. No loud speakers, televisions, phonographs, radios or other devices shall be used in a manner so as to be heard or seen outside of the Premises without the prior written consent of the Landlord.

6. The outside areas adjoining the Premises shall be kept clean and free from dirt and rubbish by the Tenant to the satisfaction of Landlord, and Tenant shall not place or permit any obstruction or materials in such areas or permit any work to be performed outside the Premises.

7. No open storage shall be permitted in the Project.

8. All garbage and refuse shall be placed in containers placed at the locations designated for refuse collection, in the manner specified by Landlord. All trash and refuse shall be stored in adequate containers within the Premises and removed at regular intervals to the common pickup station authorized by Landlord. Tenant shall be responsible for complete dismantling of all boxes and cartons and for cleanup of any clutter resulting from the dumping of trash. Cartons and boxes are not to be stored outside the Premises and trash of any kind shall not be burned in or about the Premises.

9. Other than any internal vending machines in Tenant’s break room, no vending machine or machines of any description shall be installed, maintained or operated upon the Common Area without Landlord’s prior written consent.

10. Tenant shall not disturb, solicit, or canvass any occupant of the Building and shall cooperate to prevent same.

11. No noxious or offensive trade or activity shall be carried on in any units or on any part of the Common Area, nor shall anything be done thereon which would in any way interfere with the quiet enjoyment of each of the other tenants of the Project or which would increase the rate of insurance or overburden utility facilities from time to time existing in the Project.

12. All moving of furniture, freight or equipment of any kind shall be done at the times and in the manner prescribed by Landlord and through entrances prescribed for such purpose by Landlord. Landlord shall have the right to prescribe the weight, size and position of all safes and other heavy equipment brought into the Building. Safes or other heavy objects shall be placed upon wooden strips of such thickness as Landlord determines necessary to properly distribute the weight. All damage done to the Premises, the Building, the Project and/or Common Areas by moving or maintaining any such safe or other property shall be repaired at Tenant’s cost.

Landlord’s Initials /s/ [ILLEGIBLE] Tenant’s Initials /s/ BD, /s/ BL

13. The delivery or shipping of merchandise, supplies and fixtures to and from the Premises shall be subject to such rules and regulations as in the judgment of the Landlord are necessary for the proper operation of the Project.

14. Plumbing facilities shall be used only for the purpose for which they were constructed. Tenant shall pay the expense of any breakage, stoppage, or damage resulting from misuse or from the deposit of any substance into the plumbing facilities by Tenant or its agents or invitees.

15. Tenant shall assure that all water faucets or water apparatus and all electricity have been shut off before Tenant or its agents or invitees leave the Building, so as to prevent waste or damage.

16. Tenant, upon termination of its tenancy, shall deliver to Landlord all keys to stores, offices, rooms and restroom facilities that were furnished to Tenant or that Tenant has had made. Tenant shall pay Landlord the costs of replacing any lost keys and, at the option of Landlord, the costs of changing locks necessitated by the loss or theft of keys furnished to Tenant.

17. Tenant shall notify Landlord promptly of any damage to the Premises, the Building, the Project and/or the Common Areas resulting from or attributable to the acts of others.

18. Upon request of the Landlord, Tenant shall furnish to Landlord a current list of the names, vehicle descriptions and vehicle license numbers of each of Tenant's agents or employees who utilize the parking facilities of the Building.

19. Upon the request of Landlord, Tenant shall employ and use at Tenant's sole cost and expense a licensed pest exterminator selected by Landlord at such intervals as Landlord may request.

20. Landlord reserves the right to make such amendments to these Rules and Regulations from time to time as are nondiscriminatory and not inconsistent with the Lease.

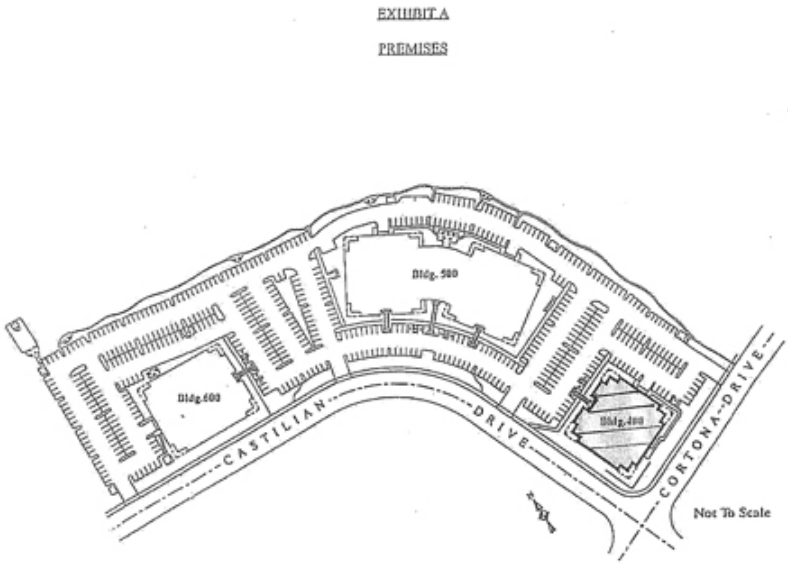
21. Landlord shall use its best efforts to enforce the Rules and Regulations on a uniform basis as to all tenants in the Project, but Landlord shall not be responsible to Tenant or to any persons for the nonobservance or violation of these rules and regulations by any other tenant or other person. Tenant shall be deemed to have read these rules and to have agreed to abide by them as a condition to its occupancy of the Premises.

END ATTACHMENT 1

Landlord's Initials /s/ [ILLEGIBLE] Tenant's Initials /s/ BD, /s/ BL

EXHIBIT A

SITE PLAN



Landlord's Initials /s/ [ILLEGIBLE]

Tenant's Initials /s/ BD, /s/ BL

EXHIBIT B

LANDLORD'S WORK

Tenant accepts the Premises in their "as is" condition and Landlord has no obligation to make improvements to the Premises or provide an improvement allowance other than the following:

1. **Landlord's Work**. At Landlord's sole cost and expense, Landlord shall prepare the Premises to be delivered to Tenant in a condition that meets all of the following requirements (the "Landlord's Work"):

a) Any necessary repairs and/or replacements for all existing HVAC units, per an HVAC report provided by Pacific Climate Control; and

b) Free of any furniture, fixtures, equipment, inventory or signage; and

c) The Premises shall be delivered to Tenant in broom clean condition and free from debris with all Building systems in good working order; and

d) Landlord shall provide Tenant up to $2,000 of space planning services with PK architecture for each suite.

2. Tenant Improvements.

2.1 In addition to Landlord's Work, Tenant shall have the right to make improvements to the interior of the Premises (the "Tenant Improvements"). Tenant shall make the Tenant Improvements at Tenant's sole cost and expense (subject to the Tenant Improvement Allowance set forth below). All Tenant Improvements shall be subject to the consent of Landlord, which consent shall not be unreasonably withheld, delayed or conditioned. Any such Tenant Improvements (except trade fixtures) shall at once become a part of the Premises and shall be surrendered to Landlord upon the expiration or sooner termination of this Lease.All work with respect to the Tenant Improvements must be done in a good and workmanlike manner and diligently prosecuted to completion to the end that the improvements on the Premises shall at all times be a complete unit except during the period of work.

2.2 Landlord grants to Tenant a one-time Tenant Improvement Allowance not to exceed a total of $25.00 per square foot, per suite ($218,950 for Suite 200 and $246,925 for Suite 210) for the Tenant's Improvements, including any applicable soft costs. Said allowance shall be disbursed for each suite upon presentation by Tenant to Landlord of: (i) copies of Tenant's paid invoices for costs associated with Tenant Improvements to the applicable suite; and (ii) all applicable unconditional final lien waivers. If Tenant does not utilize the Tenant Improvement Allowance for either suite by December 31, 2017, the Tenant Improvement Allowance for the applicable suite shall become null and void and Tenant shall forever lose its right to utilize said allowance.

3. Tax Matters. Landlord and Tenant agree that any improvement costs incurred by Landlord shall be allocated for depreciation and income tax purposes, solely by the Landlord. It will be the intention of Landlord to allocate Landlord's contribution to such improvement items that have the shortest useful life. The parties agree to abide by the allocation of improvement costs as determined by Landlord, and agree to report the transaction for income tax purposes as so allocated by Landlord

END EXHIBIT B

Landlord's Initials /s/ [ILLEGIBLE] Tenant's Initials /s/ BD, /s/ BL

EXHIBIT C

INTENTIONALLY OMITTED

EXHIBIT D

INTENTIONALLY OMITTED

EXHIBIT E

INTENTIONALLY OMITTED

EXHIBIT F

REAL ESTATE COMMISSIONS

Landlord and Tenant warrant to the other that it has had no dealings with any real estate broker or agents in connection with the negotiation of this Lease excepting only Hayes Commercial Group and The Towbes Group, Inc. and it knows of no other real estate broker or agent who is entitled to a commission in connection with this Lease.

END EXHIBIT F

Landlord's Initials /s/ [ILLEGIBLE] Tenant's Initials /s/ BD, /s/ BL

EXHIBIT G

TENANT'S OPTION TO RENEW

1. Grant of Options

Landlord hereby grants to Tenant, on the terms and conditions set forth below, two (2) successive options to renew this Lease. The first renewal option shall be for a renewal term of three (3) years. The second renewal option shall be for a renewal term of three (3) additional years, to commence at the expiration of the preceding renewal term. Each renewal term shall be subject to all of the provisions of this Lease, including but not limited to the provisions for any increase in Minimum Monthly Rent. The failure of Tenant to exercise its option for any renewal term shall nullify the option of the Tenant for any succeeding renewal terms. The options granted to Tenant in this Lease are personal to Tenant and cannot be exercised by anyone other than Tenant and only while Tenant is in full possession of the Premises.

2. Conditions to Exercise

The right of Tenant to exercise its renewal options is subject to Tenant's compliance with all of the following conditions precedent:

(a) The Lease shall be in effect at the time written notice of exercise is received and on the last day of the existing Lease term; and

(b) Tenant shall not be in default at any time in the twelve (12) months prior to the time notice of exercise is given or at any time from the time notice of exercise is given to the last day of the existing Lease term; and

(c) At least six (6) months and not more than twelve (12) months before the last day of the existing Lease term, Tenant shall have given Landlord written notice of exercise of option, which notice, once given, shall be irrevocable and binding on the parties hereto. Notwithstanding the time Tenant elects to exercise its option, the process of determining the Fair Market Rental Rate (as defined below) shall not be commenced by Landlord and Tenant earlier than six (6) months prior to the commencement of the applicable option term; and

(d) Tenant shall not have incurred more than two (2) late charge processing charges nor more than two (2) notices of nonpayment under Section 3.3 of the Standard Terms and Conditions during the preceding twenty-four (24) months; and

(e) Neither Landlord nor Tenant has exercised any right to terminate this Lease due to damage to or destruction of the Premises or the building and improvements of which the Premises are a part, or any condemnation or conveyance under threat of condemnation.

3. Minimum Monthly Rent

(a) The Minimum Monthly Rent at the beginning of the first option term shall be adjusted to the then "Fair Market Rental Rate," however in no event shall the rent at the beginning of the first option term be less than the rent paid in the last month of the third year of the Initial Term, as adjusted pursuant to Section E.2 of the Basic Provisions of the Lease. The Minimum Monthly Rent at the beginning of the second option term shall be adjusted to the then "Fair Market Rental Rate," however in no event shall the rent at the beginning of the second option term be less than the rent paid in the last month term immediately preceding the second option term, as adjusted pursuant to Section E.2 of the Basic Provisions of the Lease.

(b) For purposes of this Lease, the term "Fair Market Rental Rate" shall mean the annual amount per rentable square foot that Landlord has accepted in current transactions between non-affiliated parties from renewal and non-equity tenants for comparable space, for a comparable use, for a comparable period of time ("Comparable Transactions") in the Project and what a comparable landlord of a comparable building with comparable vacancy factors would accept in Comparable Transactions. In any determination of Comparable Transactions appropriate consideration shall be given to the annual rental rates per rentable square foot, the type of escalation clause (e.g., whether increases in additional rent are determined on a net or gross basis, and if gross, whether such increases are determined according to a base year or a base dollar amount expense stop), abatement provisions reflecting free rent and/or no rent during the period of construction or subsequent to the commencement date as to the space in question, length of the lease term, size and location of premises being leased, and other generally applicable conditions of tenancy for such Comparable Transactions.

(c) Landlord shall determine the Fair Market Rental Rate by using its good faith judgment. Landlord shall provide written notice of such amount within twenty (20) days after Tenant provides the notice to Landlord exercising Tenant's option rights which require a calculation of the Fair Market Rental Rate; provided however that, in no event, shall Landlord be

required to deliver such notice to Tenant more than one hundred eighty (180) days prior to the first day of the renewal term for which such determination is being made. Tenant shall have fifteen (15) days ("Tenant's Review Period") after receipt of Landlord's notice of the new rental within which to accept such rental or to reasonably object thereto in writing. In the event Tenant objects, Landlord and Tenant shall attempt to agree upon such Fair Market Rental Rate using their best good faith efforts. If Landlord and Tenant fail to reach agreement within fifteen (15) days following Tenant's Review Period ("Outside Agreement Date"), then each party shall place in a separate sealed envelope their final proposal as to Fair Market Rental Rate and such determination shall be submitted to arbitration as provided below. Failure of Tenant to so elect in writing within Tenant's Review Period shall conclusively be deemed its approval of the Fair Market Rental Rate determined by Landlord.

(d) If both parties make timely individual determinations of the Fair Market Rental Rate under Article 2, the disagreement shall be resolved by arbitration under this Article 3. Except as provided below, the determination of the arbitrators(s) shall be limited to the sole issue of whether Landlord's or Tenant's submitted Fair Market Rental Rate is the closest to the actual Fair Market Rental Rate as determined by the arbitrator(s), taking into account the requirements of subsection (a) above. The arbitrator(s) must be a licensed real estate appraiser who has been active in the appraisal of corporate business parks properties in the City in which the Premises are located over the five-year (5-year) period ending on the date of his or her appointment as an arbitrator. Within fifteen (15) days after the Outside Agreement Date, Landlord and Tenant shall each appoint one arbitrator and notify the other party of the arbitrator's name and business address. Within ten (10) days after the appointment of the second arbitrator, the two (2) arbitrators shall decide whether the parties will use Landlord's or Tenant's submitted Fair Market Rental Rate and shall notify Landlord and Tenant of their decision. If either Landlord or Tenant fails to appoint an arbitrator within fifteen (15) days after the Outside Agreement Date, the arbitrator timely appointed by one of them shall reach a decision and notify Landlord and Tenant of that decision within thirty (30) days after the arbitrator's appointment. If each party appoints an arbitrator in a timely manner, but the two (2) arbitrators either fail to agree on whether the Landlord's or Tenant's submitted Fair Market Rental Rate is closest to the actual Fair Market Rental Rate, or one (1) arbitrator's actual determination of the Fair Market Rental Rate varies from the other arbitrator's actual determination of the Fair Market Rental Rate by greater than five percent (5%), then the two (2) arbitrators shall immediately appoint a third arbitrator (who shall be qualified under the same criteria set forth above for qualification of the initial two (2) arbitrators) and provide notice to Landlord and Tenant of the third arbitrator's name and business address. Provided, however, if the arbitrators' respective determinations of the actual Fair Market Rental Rate vary by five percent (5%) or less, then the Actual Fair Market Rental Rate shall be determined by taking the average of the two (2) determinations. Within twenty (20) days after the appointment of the third arbitrator, the third arbitrator's determination shall be limited solely to the determination of which of the prior two (2) arbitrators' determinations is the closest to the actual Fair Market Rental Rate as determined by the third arbitrator, taking into account the requirements of subsection (b) above. If the third arbitrator is unable or unwilling to select one (1) of the two (2) prior determinations, the arbitrator(s) shall be dismissed without delay and the issue of the Fair Market Rental Rate shall be submitted to arbitration in Santa Barbara, California, under the commercial arbitration rules then existing of JAMS or its successor, subject to the provisions of this Exhibit G. If both Landlord and Tenant fail to appoint an arbitrator in a timely manner, or if the two (2) arbitrators appointed by Landlord and Tenant fail to appoint a third arbitrator, the Fair Market Rental Rate shall be submitted to arbitration in Santa Barbara, California, under the commercial arbitration rules then existing of JAMS or its successor, subject to the provisions of this Exhibit G. The arbitrator's decision shall be binding on Landlord and Tenant. The cost of any arbitration required herein shall be paid by the losing party.

(e) The Minimum Monthly Rent for the option term, established as provided above, shall be adjusted on the first day of the first October following the commencement of the option term and the first day of October every year of the option term thereafter in accordance with Section E.2 of the Basic Provisions of the Lease and set forth in a written amendment to Lease executed by the parties.

4. Options Personal

Each Option granted to Tenant in this Lease is personal to Tenant and may not be exercised or be assigned voluntarily or involuntarily by or to any person or entity than Tenant. The Options herein granted to Tenant are not assignable separate or apart from this Lease.

END EXHIBIT G

EXHIBIT H

ADDITIONAL GOVERNMENTAL CONDITIONS AND REQUIREMENTS

1. To the extent such use is approved by Landlord in writing in connection with the lease to which this Exhibit H is attached, any tenant proposing to store, handle, or use hazardous materials within the provisions of AB 2185/2187, shall, prior to occupying the premises subject to lease and bringing such hazardous materials onto the Project, shall submit a hazardous materials business plan (the "Hazardous Materials Business Plan") thirty (30) days prior to occupancy to the County of Santa Barbara Health Care Services Department ("HCS") for review and approval. All Hazardous Materials Business Plans shall be referred to in project lease documents and attached in full thereto and in any deed transfers and leases. No tenant shall be entitled to store, handle, or use any hazardous materials in, on or about the Project, nor shall such tenant be entitled to occupy the premises, until HCS has approved the Hazardous Materials Business Plan.

2. Any tenant required to submit a Hazardous Materials Business Plan in connection with its proposed use shall submit an updated Hazardous Materials Business Plan annually thereafter.

3. Any tenant required to submit a Hazardous Materials Business Plan in connection with its proposed use shall pay inspection fees, based on the hourly inspection rate for an environmental audit to be conducted by HCS at the termination of a lease and prior to reoccupation of such structure or part thereof if hazardous materials were in use on the leased premises. The Landlord shall, within 10 days' notice of termination of said lease, notify HCS of the need for an environmental audit. HCS shall perform such an audit in a timely manner to prevent economic hardship to Landlord and shall certify that the premises are available for reoccupation or specify cleanup measures that will render the premises safe for reoccupation. The tenant whose lease is being terminated shall be responsible for any cleanup that may be required as a result of the audit.

4. To the extent such use is approved by Landlord in writing in connection with the lease to which this Exhibit is attached, any tenant generating hazardous waste in, on or about the Project shall submit to the HCS a plan outlining measures for the minimization of the hazardous waste stream from the proposed operation in addition to a Hazardous Materials Business Plan.

5. To the extent such use is approved by Landlord in writing in connection with the lease to which this Exhibit is attached, all tenants shall restrict vehicle washing and other cleaning activities to areas that can be properly drained into a sanitary sewer.

END EXHIBIT H

Landlord's Initials /s/ [ILLEGIBLE] Tenant's Initials /s/ BD, /s/ BL

EXHIBIT I

SIGN PLAN

CASTILIAN TECHNICAL CENTER

SIGNAGE CRITERIA-EXHIBIT I
TENANT IDENTIFICATION-EXTERIOR BUILDING MOUNTED

THE TENANT SHALL BE REQUIRED TO SUBMIT DUPLICATE SCALED DRAWINGS OF THEIR SIGN DESIGN FOR APPROVAL BY THE LANDLORD PRIOR TO PERMIT APPLICATION, FABRICATION AND INSTALLATION.

Individual Tenant Designated Sign Are

TENANT IDENTIFICATION FOR MULTI -TENANT OCCUPANCY

TENANT IDENTIFICATION FOR (One Sign Per Tenant) SINGLE TENANT OCCUPANCY

A-DESIGN AND FABRICATION:

BUSINESS IDENTIFICATION EXTERIOR WALL-MOUNT:

1) One sign of individual plastic injection molded or plex faced foam letters shall be allowed per Tenant.
2) If Tenant occupies an entire building affording more than one street frontage, more than one sign may be allowed with Landlord's prior written approval.
3) Overall signage length shall not exceed 75% of the designated sign band width.
4) One line of copy/lettering shall be allowed per sign variance for more than one line of copy/lettering shall require the Landlord's prior written approval.
5) With one line of copy/lettering, maximum letter height shall not exceed 15", minimum letter height shall be 12".
6) With two lines of copy/lettering, the letter height of the first line shall be as described in A-5, the letter height of the second line shall be 9".
7) The use of logos shall be only in conjunction with the individual letters and shall be included in the designated sign band area.
8) Written logo requests shall be considered on an individual basis; only copyright secured or trademark registered logos shall be approved by the Landlord.
9) Individual letter style/font shall be per Tenant's selection, shall be fabricated of plastic injection molded or plex faced foam, and shall require Landlord's prior written approval.
10) The signage color shall be black any variation shall require the Landlord's prior written approval.
11) All edges of the Tenant signage shall be finished the same color as the faces.

B-INSTALLATION:

BUSINESS IDENTIFICATION EXTERIOR WALL-MOUNT:

1) Installation of the individual lettering of the Tenant's signage shall be with silicone adhesive or equivalent by gluing directly to the building.
2) All signage, including any approved logo, shall be installed within the designated sign band area, using a template for proper placement.
3) Multi-tenant building Tenants shall install their business identification lettering within the designated sign band area justified left or right, depending on the location of their leased space in the building.
4) Single building Tenants shall be allowed to install their signage centered within the designated sign band area.
5) The Tenant is responsible for the installation and maintenance of all its signage.
6) The Tenant shall be responsible for the repair of any damage to the building caused by installation, maintenance or removal of its signs.
7) The Tenant shall be responsible for the removal of its signs prior to vacating the premises, including restoration of the surface to its original condition.
8) No blinking, flashing, moving or neon style signage shall be allowed.

THE TENANT SHALL BE RESPONSIBLE FOR ALL ADA REQUIRED SIGNAGE WITHIN THEIR PREMISES.

ONLY C-45 LICENSED SIGN CONTRACTORS SHALL BE ALLOWED TO FABRICATE AND INSTALL CASTILIAN TECHNICAL CENTER SIGNAGE.

ALL EXTERIOR SIGNAGE IS SUBJECT TO APPROVAL BY THE COUNTY OF SANTA BARBARA, AND MUST HAVE A SIGN PERMIT FROM THE COUNTY OF SANTA BARBARA PRIOR TO INSTALLATION.

A COPY OF THE APPROVED SIGN PERMIT MUST BE SUBMITTED TO THE LANDLORD PRIOR TO INSTALLATION.

PLEASE have your sign manufacturer submit two copies of scaled drawings for approval to THE TOWBES GROUP, INC., 21 East Victoria, Suite 200, Santa Barbara, CA 93101

END OF EXHIBIT I

Landlord's Initials ____ Tenant's Initials ____

Landlord's Initials /s/ [ILLEGIBLE] Tenant's Initials /s/ BD, /s/ BL

EXHIBIT J

INTENTIONALLY OMITTED

EXHIBIT K

SUPPLEMENTAL TERMS AND CONDITIONS

THESE SUPPLEMENTAL TERMS AND CONDITIONS constitute an integral part of this Lease to which they are attached. Any other provisions of this Lease shall be resolved in favor of these Supplemental Terms and Conditions.

K.1. Landlord's Operating and Maintenance Costs *(Continued from Basic Provisions Section F)*

a. Tenant's pro rata share ("Tenant's Share") of the Operating Expenses (Article 6.2) shall be as follows:

i) Effective on the Commencement Date, Tenant's Share of the Common Area Expenses shall initially be twelve and 18/100 percent (12.18%).

ii) Effective on the seventh month following the Commencement Date, Tenant's Share of the Common Area Expenses shall initially be twenty-four and 37/100 percent (24.37%).

iii) Effective on the Second Delivery Date, Tenant's Share of the Common Area Expenses shall initially be thirty-eight and 11/100 percent (38.11%).

iv) Effective on the fourth month following the Second Delivery Date, Tenant's Share of the Common Area Expenses initially shall be fifty-one and 85/100 percent (51.85%).

b. Tenant's monthly proportionate share of Landlord's estimated Total Operating Costs for the year ended December 31, 2015, shall be $0.52 per square foot per month. (Article 7.3)

K.2. Signs and Advertising *(Continued from Article 22 of the Standard Terms and Conditions)*

Upon the Effective Date, Tenant shall have the right, at Tenant's sole cost and expense, to place and maintain a sign to display its trade name on the Building directory, and Premises entry door. Upon the date which Existing Tenant vacates suite 210, Tenant shall have the right, at Tenant's sole cost and expense, to place and maintain a prominent sign to display its trade name on the exterior of the Building in the same location as the Existing Tenant's exterior signage. All such signage shall conform to the requirements of Landlord and of all governmental authority(ies) having jurisdiction thereover as to location, size and format. Such sign will be subject to the same terms and conditions set forth in Article 22 of the Standard Terms and Conditions.

K.3. Expansion Right

Landlord hereby grants to Tenant, on the terms and conditions set forth below, a right of expansion (the "Expansion Right") with respect to the spaces, on the first (1st) floor of the Building located at 90 Castilian Drive commonly known as Suite 110 and Suite 120, consisting of approximately 9,449 rentable square feet and 7,855 rentable square feet, respectively (each a "Specific Expansion Space"). As of the date of this Lease Suite 110 is occupied by FLIR with a lease in effect that will expire on December 31, 2015 and Suite 120 is occupied by The Towbes Group, Inc. with a lease in effect that will expire on September 30, 2015 (the "Current Tenants"). The Expansion Right can be exercised on the Specific Expansion Spaces collectively or separately in accordance to the following terms and conditions:

a. Tenant may only exercise its Expansion Right by providing Landlord with written notice (the "Expansion Notice") of its exercise of the Expansion Right any time after the Effective Date, but no later than six (6) months following the Effective Date. Upon delivery of the Expansion Notice, Tenant's Expansion Right shall be immediately effective and irrevocable for the relevant Specific Expansion Space(s) under the terms set forth herein.

b. If Tenant does not exercise its Expansion Right within the time periods specified above, then the Expansion Right shall terminate for the Specific Expansion Space(s) and Landlord shall be free to lease the Specific Expansion Space(s) to anyone on any terms at any time during the Term of the Lease, without any obligation to provide Tenant with a further right to lease the Specific Expansion Space(s).

c. The Expansion Right shall be personal to the originally named Tenant and shall be exercisable only by the originally named Tenant. The originally named Tenant may exercise the Expansion Right only if that Tenant occupies the Premises originally leased hereunder as of the date of the Expansion Notice. Tenant shall not have the right to lease a Specific Expansion Space if Tenant is in material or monetary default under this Lease (beyond all applicable notice and cure periods in the Lease) as of the date of the attempted exercise of the Expansion Right by Tenant or (at Landlord's option) as of the scheduled Delivery Date of the Specific Expansion Space(s) to Tenant.

d. If Tenant timely and validly exercises the Expansion Right, Landlord shall deliver the Specific Expansion Space(s) to Tenant, vacant and ready for any Tenant improvement work, on a date selected by Landlord (the **"**Delivery Date**"**) that is no later than one hundred twenty (120) days after the date upon which the Current Tenants vacate their respective suites. Landlord shall not be liable to Tenant or otherwise be in default under this Lease if Landlord is unable to deliver the Specific Expansion Space(s) to Tenant on the projected Delivery Date due to the failure of any other tenant to timely vacate and surrender to Landlord the Specific Expansion Spaces(s).

f. If Tenant exercises the Expansion Right as required herein, then, beginning on the Delivery Date and continuing for the balance of the Term (including any extensions): (a) the Specific Expansion Space(s) shall be part of the Premises under this Lease (so that the term **"**Premises**"** in this Lease shall refer to the space in the Premises immediately before the Delivery Date plus the Specific Expansion Space(s)); (b) Tenant's Base Rent shall be immediately adjusted to reflect the increased rentable area of the Premises (9,449 rentable square feet and/or 7,855 rentable square feet) and thereafter adjusted annually in accordance with the terms of the Lease; (d) Tenant's share of Operating Expenses shall be adjusted to reflect the increased rentable area of the Premises; (e) the Security Deposit shall be increased by an amount equal to the increase in total Minimum Monthly Rent, and (f) Tenant shall be entitled to use an additional 3.24 unreserved parking spaces in the parking area of the Project for each additional 1,000 rentable square feet being added to the Leased Premises in accordance with the terms of the Lease. Tenant's lease of the Specific Expansion Space(s) shall be on the same terms and conditions as affect the original Premises from time to time, except as otherwise provided herein. Tenant's obligation to pay Rent with respect to the Specific Expansion Space(s) shall begin ninety (0) days after the Delivery Date of each Specific Expansion Space. The Specific Expansion Space(s) shall be leased to Tenant in its "as-is" condition, except that Landlord shall, at its sole cost and expense prior to the Delivery Date: (i) complete any necessary repairs and/or replacements for all existing HVAC units, per an HVAC report provided by Pacific Climate Control; (ii) deliver the Specific Expansion Space(s) free of any furniture, fixtures, equipment, inventory or signage and in broom clean condition, free from debris with all Building systems in good working order; (iii) provide Tenant up to $2,000 of space planning services with PK architecture for each Specific Expansion suite being added; and (iv) provide Tenant a $25 per square foot of the Specific Expansion Space(s) being added as a Tenant Improvement Allowance to be used for interior improvements and subject to the same terms and conditions set forth in Exhibit B. If Tenant does not utilize this Tenant Improvement Allowance within twelve (12) months following the Delivery Date(s) of the Specific Expansion Space(s), the Tenant Improvement Allowance for the applicable suite shall be null and void and Tenant shall forever lose its right to utilize said allowance.

g. If Tenant exercises the Expansion Right as required herein, Landlord and Tenant shall, within twenty (20) days after the Delivery Date(s), confirm in writing the addition of the Specific Expansion Space(s) to the Premises on the terms and conditions set forth herein. The written confirmation shall be set forth in a written amendment to Lease executed by both parties, and shall confirm: (a) the actual Delivery Date(s); (b) the rentable area of the Premises with the addition of the Specific Expansion Space(s); (c) the percentage that constitutes Tenant's share of Operating Expenses, as adjusted in accordance with the terms of the Lease to reflect the increased rentable area of the Premises; (d) the rental commencement date for the Specific Expansion Space(s); and (e) any other term that either party reasonably requests be confirmed with respect to the Lease.

K.4. Right of First Offer

Subject to the terms and conditions contained herein, Landlord grants to Tenant a continuing right of first offer ("First Offer Right") with respect to space on the first (1st) floor of the Building (together or separately) located at 90 Castilian Drive commonly known as Suites 100 & 101, consisting of approximately 7,855 rentable square feet and 9,449 rentable square feet, respectively (the "First Offer Space"), as follows:

a. Landlord shall provide Tenant with written notice ("First-Offer Notice") from time to time if Landlord decides to offer the First-Offer Space to a third-party. The First Offer Notice shall: (a) describe the First-Offer Space that will become available for lease ("Specific First-Offer Space"); (b) include an attached floor plan identifying such space; (c) state the projected Delivery Date; and state the fundamental lease terms that Landlord is willing to offer such space to third-parties, including Minimum Monthly Rent, any tenant improvement allowance, and the duration of the lease (collectively the "Specific Terms and Conditions").

b. If Tenant wishes to exercise Tenant's First-Offer Right with respect to the Specific First-Offer Space on the Specific Terms and Conditions, Tenant shall, within ten (10) business days after delivery of the First-Offer Notice to Tenant, deliver notice to Landlord of Tenant's irrevocable exercise its First-Offer Right with respect to all the Specific First-Offer Space. Tenant must elect to exercise its First-Offer Right, if at all, only with respect to all the space offered by Landlord to Tenant at any particular time, and Tenant may not elect to lease only a portion of that space.

c. If Tenant does not exercise its First-Offer Right within the response period specified above, the First-Offer Right shall terminate for the Specific First-Offer Space and Landlord shall be free to lease that space to the third party, without any obligation to provide Tenant with a further right to lease that space. Notwithstanding the foregoing, if the third party does not lease the Specific First-Offer Space within ninety (90) days of Tenant not exercising its First-Offer Right, Tenant's First Offer Right shall be reinstated.

d. The First-Offer Right shall be personal to the originally named Tenant and shall be exercisable only by such Tenant (and not any assignee, sublessee, or other transferee of Tenant's interest in this Lease). Tenant may exercise the First-Offer Right only if Tenant occupies all of the Premises leased hereunder as of the date of the First-Offer Notice. Tenant agrees that it shall not have the right to lease First-Offer Space if an Event of Default under this Lease has occurred and is continuing as of the date of the attempted exercise of the First-Offer Right by Tenant or as of the scheduled date of delivery of the Specific First-Offer Space to Tenant.

e. If Tenant timely and validly exercises the First-Offer Right, Landlord shall deliver the Specific First-Offer Space to Tenant on a date selected by Landlord ("Delivery Date"). Landlord shall not be liable to Tenant or otherwise be in default under this Lease if Landlord is unable to deliver the Specific First Offer Space to Tenant on the projected Delivery Date due to the failure of any other tenant to timely vacate and surrender to Landlord the Specific First-Offer Space or any portion of it.

f. If Tenant timely and validly exercises the First-Offer Right, then, beginning on the Delivery Date and continuing for the balance of the Term (including any extensions): (a) the Specific First-Offer Space shall be part of the Premises under this Lease (so that the term "Premises" in this Lease shall refer to the space in the Premises immediately before the Delivery Date plus the Specific First-Offer Space); and (b) Tenants share of Operating Expenses shall be adjusted to reflect the increased rentable area of the Premises. Tenant's lease of the Specific First-Offer Space shall be on the same terms and conditions as affect the original Premises from time to time, except for changes required by the Specific Terms and Conditions.

g. If Tenant timely and validly exercises the First-Offer Right, Landlord and Tenant shall, within twenty (20) days after Landlord's delivery of the Specific First-Offer Space to Tenant, confirm in writing the addition of the Specific First-Offer Space to the Premises on the terms and conditions set forth herein. The written confirmation shall confirm: (a) the actual Delivery Date; (b) the rentable area of the Premises with the addition of the Specific First-Offer Space; (c) the percentage that constitutes Tenant's share of Common Area Expenses, as adjusted in accordance with the terms of the Lease to reflect the increased rentable area of the Premises; (d) the rental commencement date for the Specific First-Offer Space; (e) the number of non-exclusive parking spaces allocated to Tenant (which shall be in the same ratio specified in "Parking" in the Basic Lease Provisions section of this Lease); (f) the Expiration Date; (g) the Specific Terms and Conditions; and (h) any other term that either party requests be confirmed with respect to the Specific First-Offer Space.

K.5. Real Property Taxes *(Continued from Section 5.2 of the Standard Terms and Conditions)*

Real Property Taxes shall not include any of the following and Tenant shall not be obligated to pay any of the following, whether as additional rent or otherwise: (i) any charge, penalty or assessment resulting from Landlord's delinquent payment of Real Property Taxes; or (ii) any increase in Real Property Taxes resulting under Proposition 13 from reassessment of the Project (or any portion thereof) as a result of a sale or transfer of the Project (or any portion thereof) that occurs within the initial three (3) year Term of the Lease.

END EXHIBIT K

EXHIBIT L

TENANT ESTOPPEL CERTIFICATE

To: _____ ("Bank")

_____

_____

_____

Attn: _____

Re: Lease Dated: _____

Current Landlord: _____

Current Tenant: _____

Square Feet: Approximately: _____

Floor(s): _____

Located at: _____

("Tenant") hereby certifies that as of _____, 20__:

1. Tenant is the present owner and holder of the tenant's interest under the lease described above, as it may be amended to date (the "Lease") with _____ Landlord (who is called "Borrower" for the purposes of this Certificate). *(USE THE NEXT SENTENCE IF THE LANDLORD OR TENANT NAMED IN THE LEASE IS A PREDECESSOR TO THE CURRENT LANDLORD OR TENANT.)* **[The original landlord under the Lease was _____, and the original tenant under the Lease was _____.]** The Lease covers the premises commonly known as _____ (the "Premises") in the building (the "Building") at the address set forth above.

2. (a) A true, correct and complete copy of the Lease (including all modifications, amendments, supplements, side letters, addenda and riders of and to it) is attached to this Certificate as Exhibit A. As used herein, the defined term "Lease" includes all such modifications, amendments, supplements, side letters, addenda and riders.

(b) The Lease provides that in addition to the Premises, Tenant has the right to use or rent _____ assigned/unassigned] parking spaces near the Building or in the garage portion of the building during the term of the Lease.

(c) The term of the Lease commenced on _____, 20__ and will expire on _____, 20__ including any presently exercised option or renewal term. Except as specified in Paragraph(s) _____ of the Lease (copy attached), Tenant has no option or right to renew, extend or cancel the Lease, or to lease additional space in the Premises or Building, or to use any parking *(IF APPLICABLE)* [other than that specified in Section 2(b) above].

(d) Tenant has no option or preferential right to purchase all or any part of the Premises (or the land of which the Premises are a part). Tenant has no right or interest with respect to the Premises or the Building other than as Tenant under the Lease.

(e) The annual minimum rent currently payable under the Lease is $_____ and such rent has been paid through _____, 20__.

(f) Additional rent is payable under the Lease for (i) operating, maintenance or repair expenses, (ii) property taxes, (iii) consumer price index cost of living adjustments, or (iv) percentage of gross sales adjustments (i.e., adjustments made based on underpayments of percentage rent). Such additional rent has been paid in accordance with Borrower's rendered bills through _____, 20__. The base year amounts for additional rental items are as follows: (1) operating, maintenance or repair expenses $_____, (2) property taxes $_____, and (3) consumer price index _____ (please indicate base year CPI level).

(g) Tenant has made no agreement with Borrower or any agent, representative or employee of Borrower concerning free rent, partial rent, rebate of rental payments or any other similar rent concession.

(h) Borrower currently holds a security deposit in the amount of $_____ which is to be applied by Borrower or returned to Tenant in accordance with Paragraph(s) ____ of the Lease. Tenant acknowledges and agrees that Bank shall have no responsibility or liability for any security deposit, except to the extent that any security deposit shall have been actually received by Bank.

3. (a) The Lease constitutes the entire agreement between Tenant and Borrower with respect to the Premises, has not been modified changed, altered or amended and is in full force and effect in the form attached as Exhibit A. There are no other agreements, written or oral, which affect Tenant's occupancy of the Premises.

(b) All insurance required of Tenant under the Lease has been provided by Tenant and all premiums have been paid.

(c) To the best knowledge of Tenant, no party is in default under the Lease. To the best knowledge of Tenant, no event has occurred which, with the giving of notice or passage of time, or both, would constitute such a default.

(d) The interest of Tenant in the Lease has not been assigned or encumbered. Tenant is not entitled to any credit against any rent or other charge or rent concession under the Lease except as set forth in the Lease. No rental payments have been made more than one month in advance.

4. All contributions required to be paid by Borrower to date for improvements to the Premises have been paid in full and all of Borrower's obligations with respect to tenant improvements have been fully performed. Tenant has accepted the Premises, subject to no conditions other than those set forth in the Lease.

5. Neither Tenant nor any guarantor of Tenant's obligations under the Lease is the subject of any bankruptcy or other voluntary or involuntary proceeding, in or out of court, for the adjustment of debtor-creditor relationships.

6. (a) As used here, "Hazardous Substance" means any substance, material or waste (including petroleum and petroleum products) which is designated, classified or regulated as being "toxic" or "hazardous" or a "pollutant" or which is similarly designated, classified or regulated, under any federal, state or local law, regulation or ordinance.

(b) Tenant represents and warrants that it has not used, generated, released, discharged, stored or disposed of any Hazardous Substances on, under, in or about the Building or the land on which the Building is located *(IF APPLICABLE)* [, other than Hazardous Substances used in the ordinary and commercially reasonable course of Tenant's business in compliance with all applicable laws]. *(IF APPLICABLE)*.

7. Tenant hereby acknowledges that Borrower *(CHOOSE ONE)* [intends to encumber/has encumbered] the property containing the Premises with a Deed of Trust in favor of Bank. Tenant acknowledges the right of Borrower, Bank and any and all of Borrower's present and future lenders to rely upon the statements and representations of Tenant contained in this Certificate and further acknowledges that any loan secured by any such Deed of Trust or further deeds of trust will be made and entered into in material reliance on this Certificate.

8. Tenant hereby agrees to furnish Bank with such other and further estoppel as Bank may reasonably request.

By: _____

Name: _____

Title: _____

END EXHIBIT L

Landlord's Initials /s/ [ILLEGIBLE] Tenant's Initials /s/ BD, /s/ BL

EXHIBIT M

COMMENCEMENT DATE MEMORANDUM

With respect to that certain Multi-Tenant Industrial Lease ("Lease") dated February 9 2015, between AppFolio, Inc., a Delaware corporation ("Tenant"), and Nassau Land Company, L.P., a California limited partnership ("Landlord"), whereby Landlord leased to Tenant and Tenant leased from Landlord approximately 18,635 rentable square feet of the building located at 90 Castilian Drive, Suites 200 & 201, Goleta, CA ("Premises"), Tenant hereby acknowledges and certifies to Landlord as follows:

(1) Landlord delivered possession of the Premises to Tenant in a substantially completed condition on _____;

(2) The rental commencement date is _____;

(3) The Premises contain _____ square feet of space; and

(4) Tenant has accepted and is currently in possession of the Premises and the Premises are acceptable for Tenant's use.

IN WITNESS WHEREOF, this Commencement Date Memorandum is executed this ____ day of _____, 20__.

"Tenant"

APPFOLIO, INC., a Delaware corporation

By: /s/ Brian Donahoo

Its: President and CEO

By: /s/ Brett Little

Its: VP Finance

END EXHIBIT M

Landlord's Initials /s/ [ILLEGIBLE] Tenant's Initials /s/ BD, /s/ BL

EXHIBIT N

PROHIBITED USES

The following types of operations and activities are expressly prohibited on the Premises:

1. automobile/truck maintenance, repair or fueling;
2. battery manufacturing or reclamation;
3. ceramics and jewelry manufacturing or finishing;
4. chemical (organic or inorganic) storage, use or manufacturing;
5. drum recycling;
6. dry cleaning;
7. electronic components manufacturing;
8. electroplating and metal finishing;
9. explosives manufacturing, use or storage;
10. hazardous waste treatment, storage, or disposal;
11. leather production, tanning or finishing;
12. machinery and tool manufacturing;
13. medical equipment manufacturing and hospitals;
14. metal shredding, recycling or reclamation;
15. metal smelting and refining;
16. mining;
17. paint, pigment and coating operations;
18. petroleum refining;
19. plastic and synthetic materials manufacturing;
20. solvent reclamation;
21. tire and rubber manufacturing;
22. above- and/or underground storage tanks; and
23. residential use or occupancy.

END EXHIBIT N

EXHIBIT O

INTENTIONALLY OMITTED

EXHIBIT P

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

_____

_____

_____

Attention: _____

(Space Above For Recorder's Use)

SUBORDINATION, NONDISTURBANCE
AND ATTORNMENT AGREEMENT

This SUBORDINATION, NONDISTURBANCE AND ATTORNMENT AGREEMENT ("Agreement"), dated as of _____, 20__, executed by _____ ("Tenant"), and _____, a _____ ("Landlord"), in favor of _____, a _____, as Agent ("Lender"), is entered into with reference to the following facts:

A. Tenant is presently leasing certain premises (the "Premises") comprising a portion of the real property (the "Property") described in Exhibit A, attached hereto and incorporated herein by this reference, pursuant to a lease (as modified from time to time, the "Lease") dated _____ 20__, between Tenant and Landlord.

B. Lender has made or agreed to make a loan or loans to Landlord (the "Loan") and, in connection therewith, Landlord has executed a deed of trust (as modified from time to time, the "Deed of Trust") and an assignment of leases (the "Assignment of Leases"), assigning to Lender Landlord's interests in the Property, including Landlord's interests as landlord under the Lease.

IN CONSIDERATION OF THE FOREGOING, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Tenant and Landlord hereby agree as follows:

A G R E E M E N T

1. Certifications by Tenant, Tenant hereby certifies to Lender as follows:

1.1 The Lease is in full force and effect, Tenant is presently occupying the Premises pursuant thereto, and Tenant has not transferred its interests in the Lease or agreed to do so.

1.2 A true and complete copy of the Lease, together with all amendments, supplements and other modifications thereto (oral or written), has been delivered to Lender by Tenant prior to the execution of this Agreement, _____ is attached hereto as Exhibit B.

1.3 No rent or other amount has been prepaid under the Lease, except as follows (if none, state "None"): _____
_____.

1.4 No deposit of any nature has been made in connection with the Lease (other than deposits the nature and amount of which are expressly described in the Lease), except as follows (if none, state "None"): _____ _____
_____.

1.5 Tenant is currently paying base rent under the Lease in the amount of $_____ per month. Tenant's estimated share of common area charges, insurance, real estate taxes and administrative and overhead charges is currently being paid at the rate of $_____ per month. Tenant has paid a total of $_____ of percentage rent for the 12-month period ending _____, 20__.

1.6 The Lease is the only agreement between Landlord and Tenant with respect to the Premises, and Tenant claims no rights with respect to the Premises or the Property other than those set forth in the Lease, except as follows (if none, state "None"):

_____

_____

_____

_____.

1.7 To the best of Tenant's knowledge, there are no existing defenses or offsets against amounts due or to become due to Landlord under the Lease, and there are no existing uncured defaults by Landlord under the Lease, nor has any event occurred which, with the passage of time or the giving of notice or both, would constitute such a default, except as follows (if none, state "None"):

_____

_____

_____

_____.

1.8 Landlord has performed all of its obligations to Tenant with respect to the construction of improvements; Landlord has offered no free rent period, building allowance or similar concession(s) to induce Tenant to enter into the Lease except as set forth in the Lease; and Landlord has no other obligations to Tenant in connection with the Lease, matured or not yet matured, except as set forth in the Lease.

1.9 To the best of Tenant's knowledge, no circumstance presently exists, and no event has occurred, that would prevent the Lease from becoming effective or would entitle Tenant to terminate the Lease.

2. Consent to Assignment. Tenant understands that Landlord has assigned or will assign the Lease to Lender in connection with the Loan, and Tenant hereby consents to such assignment. Tenant is not aware of any prior assignment of the Lease by Landlord, except as follows (if none, state "None"):

_____

_____.

3. No Modification of Lease; Lender Consents. Tenant shall not, without Lender's prior written consent, (a) amend, supplement, terminate (except to the extent permitted under Section 4, below) or otherwise modify the Lease; or (b) accept (and/or act in reliance on) the release, relinquishment or waiver by Landlord of any right with respect to the Lease. Any such termination, modification, acceptance or other action taken without such prior consent shall, at Lender's option, be void. Without limiting the generality of the foregoing, (i) any assignment or subletting by Tenant (or by any assignee or subtenant) which requires Landlord's consent shall also require Lender's consent, which consent shall not be unreasonably withheld and shall, at Lender's option, be void if such consent is not obtained, and (ii) any alteration to the Premises which requires Landlord's consent shall also require Lender's consent, which consent shall not be unreasonably withheld. Tenant shall not pay any rent or other amount due to Landlord under the Lease more than 10 days in advance of the due date.

4. Lender Cure Rights. Tenant shall not exercise any termination remedy upon a default by Landlord with respect to the Lease unless Tenant has first given Lender written notice of such default (at the address shown below or any other address hereafter supplied to Tenant by Lender) and such default is not cured within 30 days thereafter; provided that, if such default is nonmonetary, is curable by Lender, and (a) is of such a nature that it cannot reasonably be cured within 30 days or (b) the cure thereof by Lender requires Lender to have possession of the Property, then in either such event Tenant shall not exercise any termination remedy so long as Lender is diligently taking all steps required for Lender to cure the default (including pursuit of possession of the Property, to the extent required).

ADDRESS FOR NOTICES TO LENDER:

_____

_____

_____

_____

Attention: _____

with a copy to:

_____

_____

_____

_____

Attention: _____

5. Payments to Lender. Tenant shall make all payments under the Lease to Lender upon receiving a direction to pay from Lender, and shall comply with any such direction to pay without determining whether any default exists with respect to the Loan.

6. Agreements by Landlord. Landlord hereby agrees as follows:

6.1 Tenant shall have no liability to Landlord for any amount otherwise owing to Landlord under the Lease in the event that (a) Tenant receives a written demand from Lender to pay such amount to Lender and (b) Tenant thereafter pays such amount to Lender.

6.2 Tenant shall be entitled to assume that any such demand by Lender is valid and shall be under no obligation, and shall have no right, to inquire as to its validity, nor shall any claim by Landlord that such demand is invalid affect Tenant's right and obligation to pay all amounts demanded to Lender and thereupon be discharged of Tenant's obligation to pay such amounts to Landlord.

7. Subordination. All of Tenant's rights and interests with respect to the Premises and the Property under the Lease and all related documents (including, without limitation, any options to purchase and rights of first offer and first refusal) are and shall remain subject and subordinate to Lender's rights and interests in the Property under the Deed of Trust, the Assignment of Leases and all related loan and security documents, and to all amendments, supplements and other modifications now or hereafter executed with respect thereto, including without limitation modifications that substantially increase the obligations to Lender to which Tenant's interests are subordinated. Without limiting the generality of the foregoing, the provisions of the above-described loan and security documents shall prevail over any inconsistent provisions of the Lease relating to the disposition of insurance and condemnation awards.

8. Nondisturbance and Attornment. In the event of any judicial or nonjudicial foreclosure of the Deed of Trust or transfer by deed in lieu thereof, the Lease shall not terminate, nor shall Tenant's rights thereunder be disturbed, except in accordance with the terms of the Lease or any amendment or other applicable agreement executed by Tenant with respect thereto; provided, however, that the transferee of Landlord's interests pursuant to such foreclosure or other transfer shall not be (a) liable for any act or omission of any prior landlord under the Lease (including, without limitation, the breach of any representation or warranty made by any prior landlord unless such breach is caused by such transferee), (b) obligated to cure any default of any prior landlord under the Lease (other than nonmonetary default that remain uncured at the time of foreclosure)1 (c) subject to any offsets or defenses which Tenant is entitled to assert against any prior landlord under the Lease, (d) bound by any payment of any amount owing under the Lease to any prior landlord which was made more than 10 days prior to the date due, (e) bound by any amendment or other modification to the Lease which was made subsequent to the date of this Agreement without the prior written consent of Lender (which shall not be unreasonably withheld) and which could adversely affect the landlord's interests, or (f) liable for the return to Tenant of any security or other deposit paid by Tenant to any prior landlord under the Lease except to the extent that such transferee actually receives such deposit. Tenant shall attorn to and accept any such transferee as the landlord under the Lease for the unexpired balance of the Lease term, and shall execute any document reasonably requested by such transferee to evidence such attornment. Tenant shall not be named in any foreclosure action related to the Deed of Trust.

9. Further Assurances. Each party hereto shall execute, acknowledge and deliver to each other party all documents, and shall take all actions reasonably required by such other party from time to time to confirm or effect the matters set forth herein, or otherwise to carry out the purposes of this Agreement.

10. Reference and Arbitration.

10.1 Mandatory Arbitration. Any controversy or claim between or among the parties that arises from or relates to this Agreement (including any controversy or claim based on or arising from an alleged tort) shall at the request of any party be determined by arbitration. The arbitration shall be conducted in accordance with the United States Arbitration Act (Title 9, U.S. Code), notwithstanding any choice of law provision in this Agreement and under the Commercial Rules of the AAA. The arbitrator(s) shall give effect to statutes of limitation in determining any claim. Any controversy concerning whether an issue is arbitrable shall be determined by the arbitrator(s). Judgment upon the arbitration award may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief.

10.2 Real Property Collateral. Notwithstanding the provisions of Section 10.1, no controversy or claim shall be submitted to arbitration without the consent of all parties if, at the time of the proposed submission, such controversy or claim arises from or relates to an obligation that is secured by real property collateral. If all parties do not consent to submission of such a controversy or claim to arbitration, the controversy or claim shall be determined by a referee in accordance with California Code of Civil Procedure Sections 638 et seq. The parties shall designate to the court a referee or referees selected under the auspices of the American Arbitration Association ("AAA") in the same manner as arbitrators are selected in AAA-

sponsored proceedings. The presiding referee of the panel, or the referee if there is a single referee, shall be an active attorney or retired judge. Judgment upon the award rendered by such referee or referees shall be entered in the court in which such proceeding was commenced in accordance with California Code of Civil Procedure Sections 644 and 645.

10.3 Provisional Remedies, Self-Help and Foreclosure. No provision of this Section 10 shall limit the right of any party to this Agreement to exercise self-help remedies such as setoff, foreclosure against or sale of any real or personal property collateral or security, or to obtain provisional or ancillary remedies (including provisional remedies such as claim and delivery and ancillary remedies such as the issuance of temporary restraining orders and preliminary injunctions pending submission of any action or cause of action to judicial reference or arbitration as otherwise required hereunder) from a court of competent jurisdiction before, after, or during the pendency of any arbitration or other proceeding. The exercise of a remedy does not waive the right of any party to resort to arbitration or reference.

11. Attorneys' Fees. In the event that any litigation, reference or arbitration shall be commenced concerning this Agreement, the party prevailing in such proceeding shall be entitled to recover, in addition to such other relief as may be granted, its reasonable costs and expenses, including, without limitation, reasonable attorneys' fees and costs (including the allocated costs for in-house counsel), whether or not taxable, as awarded by a court of competent jurisdiction, referee or arbitrator.

12. Reliance by Lender. Tenant understands that Lender will rely upon this Agreement in making the Loan and/or in entering into certain agreements and/or granting certain consents in connection therewith. Notice of acceptance of this Agreement by Lender is waived.

13. Miscellaneous. This Agreement shall bind, and shall inure to the benefit of, the successors and assigns of the parties. This document may be executed in counterparts with the same force and effect as if the parties had executed one instrument, and each such counterpart shall constitute an original hereof. This Agreement shall be governed by the laws of the State of California.

IN WITNESS WHEREOF, Tenant and Landlord have caused this Agreement to be duly executed as of the date first written above.

"Tenant"

_____,
a _____
By: _____
Name: _____
Its: _____
Date: _____

"Landlord"

_____,
a _____
By: _____
Name: _____
Its: _____
Date: _____

Landlord consents to, and agrees to be bound by, the provisions of Sections 4 through 13, inclusive, of the foregoing Agreement.

"Lender"

_____,
a _____
By: _____
Name: _____
Its: _____
Date: _____

END EXHIBIT P

APPFOLIO, INC.

2007 STOCK INCENTIVE PLAN
(Amending and Restating the AppFolio, LLC 2006 Equity Incentive Plan)

This 2007 STOCK INCENTIVE PLAN (the "Plan") is hereby established by AppFolio, Inc., a Delaware corporation (the "Company"), as of February 14, 2007 (the "Effective Date"), in order to amend and restate the AppFolio, LLC 2006 Equity Incentive Plan.

RECITALS

WHEREAS, AppFolio, LLC, a Delaware limited liability company ("AppFolio, LLC") adopted the 2006 Equity Incentive Plan ("Prior Agreement") as of October 12, 2006;

WHEREAS, AppFolio, LLC has converted into the Company;

WHEREAS, the Board (as defined below) and a majority of the unit holders of the AppFolio, LLC and the stockholders of the Company, have elected to amend and restate the Prior Agreement;

NOW, THEREFORE, in consideration of the foregoing and the mutual promises contained herein, the Prior Agreement is completely amended and restated, as of the Effective Date, to read as follows:

ARTICLE 1.

PURPOSES OF THE PLAN

1.1 Purposes. The purposes of the Plan are (a) to enhance the Company's ability to attract and retain the services of qualified employees, officers, directors (including non-employee officers and directors), and consultants and other service providers upon whose judgment, initiative and efforts the successful conduct and development of the Company's business largely depends, and (b) to provide additional incentives to such persons or entities to devote their utmost effort and skill to the advancement and betterment of the Company, by providing them an opportunity to participate in the ownership of the Company and thereby have an interest in the success and increased value of the Company.

ARTICLE 2.

DEFINITIONS

For purposes of this Plan, the following terms shall have the meanings indicated:

2.1 Administrator. "Administrator" means the Board, or if the Board delegates responsibility for any matter to the Committee, the term Administrator shall mean the Committee.

2.2 Affiliated Company. "Affiliated Company" means any "Parent" or "Subsidiary" of the Company, whether now existing or hereafter created or acquired.

2.3 Board. "Board" means the Board of Directors of the Company.

2.4 Change in Control. "Change in Control" means:

(a) a merger or consolidation in which (i) the Company is a constituent party, or (ii) a subsidiary of the Company is a constituent party and the Company issues shares of its capital stock pursuant to such merger or consolidation, except in the case of either clause (i) or (ii) any such merger or consolidation involving the Company or a subsidiary of the Company in which the shares of capital stock of the Company outstanding immediately prior to such merger or consolidation continue to represent, or are converted into or exchanged for shares of capital stock which represent, immediately following such merger or consolidation, more than a majority by voting power of the capital stock of (A) the surviving or resulting corporation or (B) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation immediately following such merger or consolidation, the parent corporation of such surviving or resulting corporation;

(b) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Company or a subsidiary of the Company of all or substantially all the assets of the Company and the subsidiary of the Company taken as a whole (except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Company);

(c) the sale or transfer, in a single transaction or series of related transactions, by the stockholders of the Company of more than a majority by voting power of the then-outstanding capital stock of the Company to any person or entity or group of affiliated persons or entities; or

(d) the approval by the stockholders of a plan or proposal for the liquidation or dissolution of the Company.

2.5 Code. "Code" means the Internal Revenue Code of 1986, as amended from time to time.

2.6 Committee. "Committee" means a committee of one or more persons appointed by the Board to administer the Plan, as set forth in Section 7.1 hereof.

2.7 Common Stock. "Common Stock" means the Common Stock of the Company, subject to adjustment pursuant to Section 4.2 hereof.

2.8 Consultant. "Consultant" means any consultant or advisor if: (i) the consultant or advisor renders bona fide services to the Company or any Affiliated Company; (ii) the services rendered by the consultant or advisor are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for the Company's securities; and (iii) the consultant or advisor is a natural person who has contracted directly with the Company or any Affiliated Company to render such services.

2.9 Continuous Service. "Continuous Service" means (i) employment by the Company, or by a Parent or Subsidiary (as such terms are defined herein) of the Company, or by a corporation or other entity issuing or assuming an option in a transaction similar to those transactions described in Section 424(a) of the Code, which is uninterrupted except for vacations, illness (except for permanent disability, as defined in Section 22(e)(3) of the Code), or leaves of absence which are approved in writing by the Company or any of such other employers, if applicable, or (ii) so long as a Participant is engaged as a consultant or Service Provider to the Company or other entity referred to in clause (i) above.

2.10 Covered Employee. "Covered Employee" means the chief executive officer of the Company (or the individual acting in such capacity) and the four (4) other individuals that are the highest compensated officers of the Company for the relevant taxable year for whom total compensation is required to be reported to stockholders under the Exchange Act. Provisions in this Plan making reference to a Covered Employee shall apply only at such time that the Company is Publicly Held.

2.11 Disability. "Disability" means permanent and total disability as defined in Section 22(e)(3) of the Code. The Administrator's determination of a Disability or the absence thereof shall be conclusive and binding on all interested parties.

2.12 Effective Date. "Effective Date" means the date on which the Plan is adopted by the Board, as set forth on the first page hereof.

2.13 Exchange Act. "Exchange Act" means the Securities and Exchange Act of 1934, as amended.

2.14 Exercise Price. "Exercise Price" means the purchase price per share of Common Stock payable upon exercise of an Option.

2.15 Fair Market Value. "Fair Market Value" on any given date means the value of one share of Common Stock, determined as follows:

(a) If the Common Stock is then listed or admitted to trading on a Nasdaq market system or a stock exchange which reports closing sale prices, the Fair Market Value shall be the closing sale price on the date of valuation on such Nasdaq market system or principal stock exchange on which the Common Stock is then listed or admitted to trading, or, if no closing sale price is quoted on such day, then the Fair Market Value shall be the closing sale price of the Common Stock on such Nasdaq market system or such exchange on the next preceding day for which a closing sale price is reported.

(b) If the Common Stock is not then listed or admitted to trading on a Nasdaq market system or a stock exchange which reports closing sale prices, the Fair Market Value shall be the average of the closing bid and asked prices of the Common Stock in the over-the-counter market on the date of valuation.

(c) If neither (a) nor (b) is applicable as of the date of valuation, then the Fair Market Value shall be determined by the Administrator in good faith using any reasonable method of valuation, which determination shall be conclusive and binding on all interested parties.

2.16 Incentive Option. "Incentive Option" means any Option designated and qualified as an "incentive stock option" as defined in Section 422 of the Code.

2.17 Incentive Option Agreement. "Incentive Option Agreement" means an Option Agreement with respect to an Incentive Option.

2.18 NASD Dealer. "NASD Dealer" means a broker-dealer that is a member of the National Association of Securities Dealers, Inc.

2.19 Nonqualified Option. "Nonqualified Option" means any Option that is not an Incentive Option. To the extent that any Option designated as an Incentive Option fails in whole or in part to qualify as an Incentive Option, including, without limitation, for failure to meet the limitations applicable to a 10% Stockholder or because it exceeds the annual limit provided for in Section 5.6 below, it shall to that extent constitute a Nonqualified Option.

2.20 Nonqualified Option Agreement. "Nonqualified Option Agreement" means an Option Agreement with respect to a Nonqualified Option.

2.21 Option. "Option" means any option to purchase Common Stock granted pursuant to the Plan.

2.22 Option Agreement. "Option Agreement" means the written agreement entered into between the Company and the Optionee with respect to an Option granted under the Plan.

2.23 Optionee. "Optionee" means a Participant who holds an Option.

2.24 Parent. "Parent" means "Parent Corporation" as that term is defined in Section 424(e) of the Code.

2.25 Participant. "Participant" means an individual or entity who holds an Option or Restricted Stock under the Plan.

2.26 Publicly Held. "Publicly Held" means, with respect to the Company, any point in time in which any class of common equity securities of the Company are required to be registered under Section 12 of the Exchange Act.

2.27 Purchase Price. "Purchase Price" means the purchase price per share of Restricted Stock.

2.28 Restricted Stock. "Restricted Stock" means shares of Common Stock issued pursuant to Article 6 hereof, subject to any restrictions and conditions as are established pursuant to such Article 6.

2.29 Service Provider. "Service Provider" means a Consultant or other natural person the Administrator authorizes to become a Participant in the Plan and who provides services to (i) the Company, (ii) an Affiliated Company, or (iii) any other business venture designated by the Administrator in which the Company (or any entity that is a successor to the Company) or an Affiliated Company has a significant ownership interest.

2.30 Subsidiary. "Subsidiary" means "subsidiary corporation" as that term is defined in Section 424(f) of the Code.

2.31 Stock Purchase Agreement. "Stock Purchase Agreement" means the written agreement entered into between the Company and a Participant with respect to the purchase of Restricted Stock under the Plan.

2.32 10% Stockholder. "10% Stockholder" means a person who, as of a relevant date, owns or is deemed to own (by reason of the attribution rules applicable under Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of an Affiliated Company.

ARTICLE 3.

ELIGIBILITY

3.1 Incentive Options. Only employees of the Company or of an Affiliated Company (including officers of the Company and members of the Board if they are employees of the Company or of an Affiliated Company) are eligible to receive Incentive Options under the Plan.

3.2 Nonqualified Options and Restricted Stock. Employees of the Company or of an Affiliated Company, officers of the Company and members of the Board (whether or not employed by the Company or an Affiliated Company), and Service Providers are eligible to receive Nonqualified Options or acquire Restricted Stock under the Plan.

3.3 Section 162(m) Limitation. Subject to the provisions of Section 4.2, no employee of the Company or of an Affiliated Company shall be eligible to be granted Options covering more than 645,200 shares of Common Stock during any calendar year. The foregoing shall not apply, however, until the first date upon which the Company is Publicly Held, and following the date that the Company is Publicly Held, this Section 3.3 shall not apply until the earliest time as required by Section 162(m) of the Code and the rules and regulations thereunder.

ARTICLE 4.

PLAN SHARES

4.1 Shares Subject to the Plan.

(a) A total of 3,630,000 shares of Common Stock may be issued under the Plan, subject to adjustment as to the number and kind of shares pursuant to Section 4.2 hereof. For purposes of this limitation, in the event that (a) all or any portion of any Option or Restricted Stock granted or offered under the Plan can no longer under any circumstances be exercised, or (b) any shares of Common Stock are reacquired by the Company which were initially the subject of an Incentive Option Agreement, Nonqualified Option Agreement or Stock Purchase Agreement, the shares of Common Stock allocable to the unexercised portion of such Option, or such Stock Purchase Agreement, or the shares so reacquired, shall again be available for grant or issuance under the Plan.

(b) A total of 3,630,000 shares of Common Stock may be issued pursuant to Incentive Options, subject to adjustment as to the number and kind of shares pursuant to Section 4.2 hereof.

4.2 Changes in Capital Structure. In the event that the outstanding shares of Common Stock are hereafter increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company by reason of a recapitalization, stock split, reverse stock split, combination of shares, reclassification, stock dividend, or other change in the capital structure of the Company, then appropriate adjustments shall be automatically made to the aggregate

number and kind of shares subject to this Plan, the number and kind of shares and the price per share subject to outstanding Option Agreements and Stock Purchase Agreements and the limit on the number of shares under Section 3.3, all in order to preserve, as nearly as practical, but not to increase, the benefits to Participants.

ARTICLE 5.

OPTIONS

5.1 Option Agreement. Each Option granted pursuant to this Plan shall be evidenced by an Option Agreement that shall specify the number of shares subject thereto, the Exercise Price per share, and whether the Option is an Incentive Option or Nonqualified Option. As soon as is practical following the grant of an Option, an Option Agreement shall be duly executed and delivered by or on behalf of the Company to the Optionee to whom such Option was granted. Each Option Agreement shall be in such form and contain such additional terms and conditions, not inconsistent with the provisions of this Plan, as the Administrator shall, from time to time, deem desirable, including, without limitation, the imposition of any rights of first refusal and resale obligations upon any shares of Common Stock acquired pursuant to an Option Agreement; provided, however, that any changes or amendments to the terms of Section 2 or 3 of any Option Agreement shall require the approval of the Board of Directors.

5.2 Exercise Price. The Exercise Price per share of Common Stock covered by each Incentive Option shall be determined by the Administrator, subject to the following: (a) the Exercise Price of an Incentive Option shall not be less than 100% of Fair Market Value on the date the Incentive Option is granted, and (b) if the person to whom an Incentive Option is granted is a 10% Stockholder on the date of grant, the Exercise Price shall not be less than 110% of Fair Market Value on the date the Option is granted. The Exercise Price per share of Common Stock covered by each Nonqualified Option shall not be less than 100% of Fair Market Value on the date the Nonqualified Option is granted. However, an Option may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424 of the Code.

5.3 Payment of Exercise Price. Payment of the Exercise Price shall be made upon exercise of an Option and may be made, in the discretion of the Administrator, subject to any legal restrictions, by: (a) cash; (b) check; (c) the surrender of shares of Common Stock acquired pursuant to the exercise of an Option (provided that shares acquired pursuant to the exercise of options granted by the Company must have been held by the Optionee for the requisite period necessary to avoid a charge to the Company's earnings for financial reporting purposes), which surrendered shares shall be valued at Fair Market Value as of the date of such exercise; (d) the Optionee's promissory note in a form and on terms acceptable to the Administrator; provided that an amount equal to at least the aggregate par value of the shares purchased upon exercise of an Option shall be paid in such other form of consideration permitted under the Delaware General Corporation Law; (e) the cancellation of indebtedness of the Company to the Optionee; (f) the waiver of compensation due or accrued to the Optionee for services rendered; (g) provided that a public market for the Common Stock exists, a "same day sale" commitment from the Optionee and an NASD Dealer whereby the Optionee irrevocably elects to exercise the Option and to sell a portion of the shares so purchased to pay for the Exercise Price and whereby the NASD Dealer irrevocably commits upon receipt of such shares to forward the Exercise Price directly to the Company; (h) provided that a public market for the Common Stock exists, a "margin" commitment from the Optionee and an NASD Dealer whereby the

Optionee irrevocably elects to exercise the Option and to pledge the shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the Exercise Price, and whereby the NASD Dealer irrevocably commits upon receipt of such shares to forward the Exercise Price directly to the Company; or (i) any combination of the foregoing methods of payment or any other consideration or method of payment as shall be permitted by applicable corporate law.

5.4 Term and Termination of Options. The term and provisions for termination of each Option shall be as fixed by the Administrator, but no Option may be exercisable more than ten (10) years after the date it is granted. An Incentive Option granted to a person who is a 10% Stockholder on the date of grant shall not be exercisable more than five (5) years after the date it is granted.

5.5 Vesting and Exercise of Options. Each Option shall vest and become exercisable in one or more installments at such time or times and subject to such conditions, including without limitation the achievement of specified performance goals or objectives, as shall be determined by the Administrator. An Option granted to an employee who is not an officer, a director or Consultant of the Company must vest at a rate of at least twenty percent (20%) per year over a period of five (5) years from the date of grant, subject to reasonable conditions such as continued employment. Notwithstanding the foregoing, to the extent required by applicable law, each Option shall provide that the Optionee shall have the right to exercise the vested portion of any Option held at termination for at least thirty (30) days following termination for any reason, and that the Optionee shall the right to exercise the Option for at least six (6) months if such termination was due to the death or Disability of the Optionee.

5.6 Annual Limit on Incentive Options. To the extent required for "incentive stock option" treatment under Section 422 of the Code, the aggregate Fair Market Value (determined as of the time of grant) of the Common Stock shall not, with respect to which Incentive Options granted under this Plan and any other plan of the Company or any Affiliated Company become exercisable for the first time by an Optionee during any calendar year, exceed $100,000.

5.7 No transferability of Options. Except as otherwise provided by the Administrator in an Option Agreement and as permissible under applicable law, no Option shall be assignable or transferable except by will or the laws of descent and distribution, and during the life of the Optionee shall be exercisable only by such Optionee.

5.8 Rights as Stockholder. An Optionee or permitted transferee of an Option shall have no rights or privileges as a stockholder with respect to any shares covered by an Option until such Option has been duly exercised, and certificates representing shares purchased upon such exercise have been issued to such person.

5.9 Unvested Shares. The Administrator shall have the discretion to grant Options which are exercisable for unvested shares of Common Stock. Should the Optionee cease being an employee, a Service Provider, an officer, director or Consultant of the Company while owning such unvested shares, the Company shall have the right to repurchase, at the exercise price paid per share, any or all of those unvested shares. The terms upon which such repurchase right shall be exercisable (including the period and procedure for exercise and the appropriate vesting schedule for the purchased shares) shall be established by the Administrator and set forth in the document evidencing such repurchase right. The Administrator may not impose a vesting schedule upon any Option grant

or the shares of Common Stock subject to that Option that is more restrictive than twenty percent (20%) per year vesting, with the initial vesting to occur not later than one (1) year after the Option grant date. However, the foregoing limitation shall not be applicable to any Option grants made to individuals who are officers, directors or Consultants of the Company.

ARTICLE 6.

RESTRICTED STOCK

6.1 Issuance and Sale of Restricted Stock. The Administrator shall have the right to issue shares of Common Stock subject to such terms, restrictions and conditions as the Administrator may determine at the time of grant ("Restricted Stock"). Such conditions may include, but are not limited to, continued employment or the achievement of specified performance goals or objectives. The Purchase Price of Restricted Stock shall be determined by the Administrator, provided that (a) the Purchase Price shall not be less than eighty-five percent (85%) of Fair Market Value of the stock on the date the Restricted Stock is granted or at the time the purchase is consummated, or (b) if the person to whom a right to purchase Restricted Stock is granted is a ten percent (10%) Stockholder on the date of grant, the Purchase Price shall not be less than one hundred percent (100%) of Fair Market Value of the stock on the date the Restricted Stock is granted or at the time the purchase is consummated.

6.2 Restricted Stock Purchase Agreements. A Participant shall have no rights with respect to the shares of Restricted Stock covered by a Stock Purchase Agreement until the Participant has paid the full Purchase Price to the Company in the manner set forth in Section 6.3 hereof and has executed and delivered to the Company the Stock Purchase Agreement. Each Stock Purchase Agreement shall be in such form, and shall set forth the Purchase Price and such other terms, conditions and restrictions of the Restricted Stock, not inconsistent with the provisions of this Plan, as the Administrator shall, from time to time, deem desirable.

6.3 Payment of Purchase Price. Subject to any legal restrictions, payment of the Purchase Price may be made, in the discretion of the Administrator, by: (a) cash; (b) check; (c) the surrender of shares of Common Stock owned by the Participant that have been held by the Participant for the requisite period necessary to avoid a charge to the Company's earnings for financial reporting purposes, which surrendered shares shall be valued at Fair Market Value as of the date of such acceptance; (d) the Participant's promissory note in a form and on terms acceptable to the Administrator; provided that an amount equal to at least the aggregate par value of the shares purchased pursuant to a Stock Purchase Agreement shall be paid in such other form of consideration permitted under Delaware General Corporation Law; (e) the cancellation of indebtedness of the Company to the Participant; (f) the waiver of compensation due or accrued to the Participant for services rendered; or (g) any combination of the foregoing methods of payment or any other consideration or method of payment as shall be permitted by applicable corporate law.

6.4 Rights as a Stockholder. Upon complying with the provisions of Section 6.2 hereof, a Participant shall have the rights of a stockholder with respect to the Restricted Stock purchased pursuant to a Stock Purchase Agreement, including voting and dividend rights, subject to the terms, restrictions and conditions as are set forth in such Stock Purchase Agreement. Unless the Administrator shall determine otherwise, certificates evidencing shares of Restricted Stock shall remain in the possession of the Company until such shares have vested in accordance with the terms of the Stock Purchase Agreement.

6.5 Restrictions. Shares of Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as specifically provided in the Stock Purchase Agreement. In the event of termination of a Participant's employment, service as a director of the Company or Service Provider for any reason whatsoever (including death or disability), the Stock Purchase Agreement may provide that, in the discretion of the Administrator, that the Company shall have the right, exercisable at the discretion of the Administrator, to repurchase (i) at the original Purchase Price, any shares of Restricted Stock which have not vested as of the date of termination, (provided that the right to repurchase at the original Purchase Price shall lapse at the rate of at least twenty percent (20%) per year over five (5) years from the date of the Stock Purchase Agreement for Participants other than officers, directors and Consultants of the Company), and (ii) at Fair Market Value, any shares of Restricted Stock which have vested as of such date, on such terms as may be provided in the Stock Purchase Agreement. In any event, the right to repurchase must be exercised within sixty (60) days of the termination of a Participant's Continuous Service and may be paid by the Company or its assignee, by cash, check, or cancellation of indebtedness within thirty (30) days of the expiration of the right to exercise.

6.6 Vesting of Restricted Stock. Subject to Section 6.5 above, the Stock Purchase Agreement shall specify the date or dates, the performance goals or objectives which must be achieved, and any other conditions on which the Restricted Stock may vest.

6.7 Dividends. If payment for shares of Restricted Stock is made by promissory note, any cash dividends paid with respect to the Restricted Stock may be applied, in the discretion of the Administrator, to repayment of such note.

ARTICLE 7.

ADMINISTRATION OF THE PLAN

7.1 Administrator. Authority to control and manage the operation and administration of the Plan shall be vested in the Board, which may delegate such responsibilities in whole or in part to a committee consisting of one (1) or more persons (the "Committee"). Members of the Committee may be appointed from time to time by, and shall serve at the pleasure of, the Board. The Board may limit the composition of the Committee to those persons necessary to comply with the requirements of Section 162(m) of the Code and Section 16 of the Exchange Act. As used herein, the term "Administrator" means the Board or, with respect to any matter as to which responsibility has been delegated to the Committee, the term Administrator shall mean the Committee.

7.2 Powers of the Administrator. In addition to any other powers or authority conferred upon the Administrator elsewhere in the Plan or by law, the Administrator shall have full power and authority: (a) to determine the persons to whom, and the time or times at which Incentive Options or Nonqualified Options or rights to purchase Restricted Stock shall be granted, the number of shares to be represented by each Option and the number of shares of Restricted Stock to be offered, and the consideration to be received by the Company upon the exercise of such Options or sale of such Restricted Stock; (b) to interpret the Plan; (c) to create, amend or rescind rules and regulations relating to the Plan; (d) to determine the terms, conditions and restrictions contained in, and the form of, Option Agreements and Stock Purchase Agreements; (e) to determine the identity or capacity of any persons who may be entitled to exercise a Participant's rights under any Option or Stock Purchase Agreement under the Plan; (f) to correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Option Agreement or Stock Purchase Agreement;

(g) to accelerate the vesting of any Option or release or waive any repurchase rights of the Company with respect to Restricted Stock; (h) to extend the exercise date of any Option or acceptance date of any Restricted Stock; (i) to provide for rights of first refusal and/or repurchase rights; (j) to amend outstanding Option Agreements and Stock Purchase Agreements to provide for, among other things, any change or modification which the Administrator could have included in the original Agreement or in furtherance of the powers provided for herein; and (k) to make all other determinations necessary or advisable for the administration of the Plan, but only to the extent not contrary to the express provisions of the Plan. Any action, decision, interpretation or determination made in good faith by the Administrator in the exercise of its authority conferred upon it under the Plan shall be final and binding on the Company and all Participants.

7.3 Limitation on Liability. No employee of the Company, or member of the Board or Committee shall be subject to any liability with respect to duties under the Plan unless the person acts fraudulently or in bad faith. To the extent permitted by law, the Company shall indemnify each member of the Board or Committee, and any employee of the Company with duties under the Plan, who was or is a party, or is threatened to be made a party, to any threatened, pending or completed proceeding, whether civil, criminal, administrative or investigative, by reason of such person's conduct in the performance of duties under the Plan.

ARTICLE 8.

CHANGE IN CONTROL

8.1 Change in Control. In order to preserve a Participant's rights in the event of a Change in Control of the Company:

(a) The Administrator shall have the discretion to provide in each Option Agreement or Stock Purchase Agreement the terms and conditions that relate to (i) vesting of such Option or Restricted Stock in the event of a Change in Control, and (ii) assumption of such Options or Stock Purchase Agreements or issuance of comparable securities under an incentive program in the event of a Change in Control.

(b) If the terms of an outstanding Option Agreement provide for accelerated vesting in the event of a Change in Control, or to the extent that an Option is vested and not yet exercised, the Administrator in its discretion may provide, in connection with the Change in Control transaction, for the purchase or exchange of each Option for an amount of cash or other property having a value equal to the difference (or "spread") between: (x) the value of the cash or other property that the Participant would have received pursuant to the Change in Control transaction in exchange for the shares issuable upon exercise of the Option had the Option been exercised immediately prior to the Change in Control, and (y) the Exercise Price of the Option.

(c) Outstanding Options shall terminate and cease to be exercisable upon consummation of a Change in Control except to the extent that the Options are assumed by the successor entity (or parent thereof) pursuant to the terms of the Change in Control transaction.

(d) The Administrator shall cause written notice of a proposed Change in Control transaction to be given to Participants not less than fifteen (15) days prior to the anticipated effective date of the proposed transaction.

ARTICLE 9.

AMENDMENT AND TERMINATION OF THE PLAN

9.1 Amendments. The Board may from time to time alter, amend, suspend or terminate the Plan in such respects as the Board may deem advisable. No such alteration, amendment, suspension or termination shall be made which shall substantially affect or impair the rights of any Participant under an outstanding Option Agreement or Stock Purchase Agreement without such Participant's consent. The Board may alter or amend the Plan to comply with requirements under the Code relating to Incentive Options or other types of options which give Optionees more favorable tax treatment than that applicable to Options granted under this Plan as of the date of its adoption. Upon any such alteration or amendment, any outstanding Option granted hereunder may, if the Administrator so determines and if permitted by applicable law, be subject to the more favorable tax treatment afforded to an Optionee pursuant to such terms and conditions.

9.2 Plan Termination. Unless the Plan shall theretofore have been terminated, the Plan shall terminate on the tenth (10th) anniversary of the Effective Date and no Options or Restricted Stock may be granted under the Plan thereafter, but Option Agreements and Stock Purchase Agreements then outstanding shall continue in effect in accordance with their respective terms.

ARTICLE 10.

TAX WITHHOLDING

10.1 Withholding. The Company shall have the power to withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy any applicable Federal, state, and local tax withholding requirements with respect to any Options exercised or Restricted Stock issued under the Plan. To the extent permissible under applicable tax, securities and other laws, the Administrator may, in its sole discretion and upon such terms and conditions as it may deem appropriate, permit a Participant to satisfy his or her obligation to pay any such tax, in whole or in part, up to an amount determined on the basis of the highest marginal tax rate applicable to such Participant, by (a) directing the Company to apply shares of Common Stock to which the Participant is entitled as a result of the exercise of an Option or as a result of the purchase of or lapse of restrictions on Restricted Stock or (b) delivering to the Company shares of Common Stock owned by the Participant. The shares of Common Stock so applied or delivered in satisfaction of the Participant's tax withholding obligation shall be valued at their Fair Market Value as of the date of measurement of the amount of income subject to withholding.

ARTICLE 11.

MISCELLANEOUS

11.1 Benefits Not Alienable. Other than as provided above, benefits under the Plan may not be assigned or alienated, whether voluntarily or involuntarily. Any unauthorized attempt at assignment, transfer, pledge or other disposition shall be without effect.

11.2 No Enlargement of Employee Rights. This Plan is strictly a voluntary undertaking on the part of the Company and shall not be deemed to constitute a contract between the Company and any Participant to be consideration for, or an inducement to, or a condition of, the employment of

any Participant. Nothing contained in the Plan shall be deemed to give the right to any Participant to be retained as an employee of the Company or any Affiliated Company or to limit the right of the Company or any Affiliated Company to discharge any Participant at any time.

11.3 Application of Funds. The proceeds received by the Company from the sale of Common Stock pursuant to Option Agreements and Stock Purchase Agreements, except as otherwise provided herein, will be used for general corporate purposes.

11.4 Stockholder Approval. The Company shall obtain stockholder approval of the Plan within twelve (12) months before or after the adoption of the Plan by the Board.

11.5 Annual and Other Periodic Reports. To the extent required by Section 260.140.46 of Title 10 of the California Code of Regulations, the Company shall provide to each Participant, not less frequently than annually during the period such Participant has one or more Options or rights to purchase Restricted Stock outstanding, and in the case of an individual who acquires shares pursuant to the Plan, during the period such individual owns such shares, copies of annual financial statements. Notwithstanding the preceding sentence, the Company shall not be required to provide such statements to key employees, whose duties in connection with the Company assure their access to equivalent information.

AMENDMENT TO APPFOLIO, INC. 2007 STOCK INCENTIVE PLAN
EFFECTIVE APRIL 15, 2008

Article 4, Section 4.1 of the 2007 Stock Incentive Plan of AppFolio, Inc., a Delaware corporation, is hereby amended and restated in full as follows:

"4.1 Shares Subject to the Plan.

a) A total of 7,260,000 shares of Common Stock may be issued under the Plan, subject to adjustment as to the number and kind of shares pursuant to Section 4.2 hereof. For purposes of this limitation, in the event that (a) all or any portion of any Option or Restricted Stock granted or offered under the Plan can no longer under any circumstances be exercised, or (b) any shares of Common Stock are reacquired by the Company which were initially the subject of an Incentive Option Agreement, Nonqualified Option Agreement or Stock Purchase Agreement, the shares of Common Stock allocable to the unexercised portion of such Option, or such Stock Purchase Agreement, or the shares so reacquired, shall again be available for grant or issuance under the Plan.

b) A total of 7,260,000 shares of Common Stock may be issued pursuant to Incentive Options, subject to adjustment as to the number and kind of shares pursuant to Section 4.2 hereof."

Except as stated above, all terms and conditions for the 2007 Stock Incentive Plan shall remain in full force and effect.

SECOND AMENDMENT TO 2007 STOCK INCENTIVE PLAN
EFFECTIVE FEBRUARY 13, 2009

Article 4, Section 4.1 of the 2007 Stock Incentive Plan of AppFolio, Inc., a Delaware corporation, is hereby amended and restated in full as follows:

"4.1 Shares Subject to the Plan.

(a) A total of 10,335,931 shares of Common Stock may be issued under the Plan, subject to adjustment as to the number and kind of shares pursuant to Section 4.2 hereof. For purposes of this limitation, in the event that (a) all or any portion of any Option or Restricted Stock granted or offered under the Plan can no longer under any circumstances be exercised, or (b) any shares of Common Stock are reacquired by the Company which were initially the subject of an Incentive Option Agreement, Nonqualified Option Agreement or Stock Purchase Agreement, the shares of Common Stock allocable to the unexercised portion of such Option, or such Stock Purchase Agreement, or the shares so reacquired, shall again be available for grant or issuance under the Plan.

(b) A total of 10,335,931 shares of Common Stock may be issued pursuant to Incentive Options, subject to adjustment as to the number and kind of shares pursuant to Section 4.2 hereof."

Except as stated above, all terms and conditions for the 2007 Stock Incentive Plan shall remain in full force and effect.

THIRD AMENDMENT TO 2007 STOCK INCENTIVE PLAN
EFFECTIVE JANUARY 25, 2011

Article 4, Section 4.1 of the 2007 Stock Incentive Plan of AppFolio, Inc., a Delaware corporation, is hereby amended and restated in full as follows:

"4.1 Shares Subject to the Plan.

(a) A total of 12,835,931 shares of Common Stock may be issued under the Plan, subject to adjustment as to the number and kind of shares pursuant to Section 4.2 hereof. For purposes of this limitation, in the event that (a) all or any portion of any Option or Restricted Stock granted or offered under the Plan can no longer under any circumstances be exercised, or (b) any shares of Common Stock are reacquired by the Company which were initially the subject of an Incentive Option Agreement, Nonqualified Option Agreement or Stock Purchase Agreement, the shares of Common Stock allocable to the unexercised portion of such Option, or such Stock Purchase Agreement, or the shares so reacquired, shall again be available for grant or issuance under the Plan.

(b) A total of 12,835,931 shares of Common Stock may be issued pursuant to Incentive Options, subject to adjustment as to the number and kind of shares pursuant to Section 4.2 hereof."

Except as stated above, all terms and conditions for the 2007 Stock Incentive Plan shall remain in full force and effect.

FOURTH AMENDMENT TO STOCK INCENTIVE PLAN
EFFECTIVE FEBRUARY 28, 2013

Article 4, Section 4.1 of the 2007 Stock Incentive Plan of AppFolio, Inc., a Delaware corporation, is hereby amended and restated in full as follows:

"4.1 Shares Subject to the Plan.

(a) A total of 14,335,931 shares of Common Stock may be issued under the Plan, subject to adjustment as to the number and kind of shares pursuant to Section 4.2 hereof. For purposes of this limitation, in the event that (a) all or any portion of any Option or Restricted Stock granted or offered under the Plan can no longer under any circumstances be exercised, or (b) any shares of Common Stock are reacquired by the Company which were initially the subject of an Incentive Option Agreement, Nonqualified Option Agreement or Stock Purchase Agreement, the shares of Common Stock allocable to the unexercised portion of such Option, or such Stock Purchase Agreement, or the shares so reacquired, shall again be available for grant or issuance under the Plan.

(b) A total of 14,335,931 shares of Common Stock may be issued pursuant to Incentive Options, subject to adjustment as to the number and kind of shares pursuant to Section 4.2 hereof."

Except as stated above, all terms and conditions for the 2007 Stock Incentive Plan shall remain in full force and effect.

FIFTH AMENDMENT TO 2007 STOCK INCENTIVE PLAN
EFFECTIVE SEPTEMBER 5, 2014

Article 4, Section 4.1 of the 2007 Stock Incentive Plan of AppFolio, Inc., a Delaware corporation, is hereby amended and restated in its entirety to read as follows:

"4.1 Shares Subject to the Plan.

(a) A total of 17,019,995 shares of Common Stock may be issued under the Plan, subject to adjustment as to the number and kind of shares pursuant to Section 4.2 hereof. For purposes of this limitation, in the event that (a) all or any portion of any Option or Restricted Stock granted or offered under the Plan can no longer under any circumstances be exercised, or (b) any shares of Common Stock are reacquired by the Company which were initially the subject of an Incentive Option Agreement, Nonqualified Option Agreement or Stock Purchase Agreement, the shares of Common Stock allocable to the unexercised portion of such Option, or such Stock Purchase Agreement, or the shares so reacquired, shall again be available for grant or issuance under the Plan.

(b) A total of 17,019,995 shares of Common Stock may be issued pursuant to Incentive Options, subject to adjustment as to the number and kind of shares pursuant to Section 4.2 hereof."

Except as stated above, all terms and conditions for the 2007 Stock Incentive Plan shall remain in full force and effect.

APPFOLIO, INC.

2007 STOCK INCENTIVE PLAN

NOTICE OF STOCK OPTION GRANT

AppFolio, Inc., a Delaware corporation (the "Company") pursuant to its **2007 Stock Incentive Plan** (the "Plan"), hereby grants to Optionee listed below ("Optionee"), an option (the "Option") to purchase all or any portion of the number of shares of the Company's **COMMON** Stock (the "Shares") set forth below, subject to the terms and conditions of this Notice of Stock Option Grant and Stock Option Agreement, the attached Plan and the attached Notice of Exercise of Stock Option and Investment. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Notice of Stock Option Grant and the Stock Option Agreement.

Name of Optionee: ###PARTICIPANT_NAME###

Grant ID: ###EMPLOYEE_GRANT_NUMBER###

Grant Date: ###GRANT_DATE###

Vesting Start Date: ###ALTERNATIVE_VEST_BASE_DATE###

Total Number of Shares Granted: ###TOTAL_AWARDS###

Exercise Price Per Share: ###GRANT_PRICE###

Total Exercise Price: ###TOTAL_EXERCISE_PRICE###

Expiration Date: ###EXPIRY_DATE###

Type of Option Grant: ###DICTIONARY_AWARD_NAME###

Vesting Schedule: ###VEST_SCHEDULE_TABLE###

Exercise Schedule: Same as Vesting Schedule

[STOCK OPTION AGREEMENT TO BE INSERTED HERE]

Additional Terms / Acknowledgements: By clicking "Agree" on the button below, Optionee hereby acknowledges receipt of this Notice of Stock Option Grant, the Stock Option Agreement, the Plan, and the Notice of Exercise of Stock Option and Investment Representations, and accepts this Option subject to all of the terms and provisions thereof. Optionee further represents that he or she has reviewed this Notice of Stock Option Grant, the Stock Option Agreement, the Plan, and the Notice

of Exercise of Stock Option and Investment Representations and has had an opportunity to obtain the advice of counsel prior to accepting the Option, and fully understands and agrees to be bound by the terms and conditions thereof.

The right of the Optionee to exercise this Option may terminate earlier than the Expiration Date set forth above, as set forth in the Stock Option Agreement.

By clicking "Disagree" on the button below, Optionee declines to accept the grant of this Option, at which time the Option shall be cancelled in its entirety.

AppFolio, Inc.

/s/ Brian Donahoo
Brian Donahoo
President & CEO

APPFOLIO, INC.

STOCK OPTION AGREEMENT

This Stock Option Agreement (the "Agreement") is entered into by and between AppFolio, Inc., a Delaware corporation (the "Company"), and the Optionee pursuant to the Company's 2007 Stock Incentive Plan (the "Plan"). Any capitalized term not defined herein shall have the same meaning ascribed to it in the Plan.

1. Grant of Option. The Company hereby grants to Optionee an option (the "Option") to purchase all or any portion of the shares of the Common Stock of the Company (the "Shares") set forth in the Notice of Stock Option Grant (the "Notice") at a purchase price per share set forth in the Notice (the "Exercise Price"), subject to the terms and conditions set forth herein and the provisions of the Plan. If the Type of Option Grant indicated in the Notice is "Incentive Stock Option" then this Option is intended to qualify as an incentive stock option as defined in Section 422 of the Internal Revenue Code of l986, as amended (the "Code"). If this Option fails in whole or in part to qualify as an incentive stock option, or if the the Type of Option Grant indicated in the Notice is "Nonstatutory Stock Option", then this Option shall to that extent constitute a nonstatutory stock option.

2. Vesting of Option. The right to exercise this Option shall vest in installments, and this Option shall be exercisable from time to time in whole or in part as to any vested installment ("Vested Shares"). Twenty-five percent (25%) of the Shares shall become Vested Shares on the first anniversary of the Vesting Start Date set forth in the Notice, and, thereafter, the balance of the Shares shall become Vested Shares in a series of thirty-six (36) successive equal monthly installments for each full month of Continuous Service provided by the Optionee, such that 100% of the Shares shall become Vested Shares on the fourth (4th) anniversary of the Vesting Start Date if Optionee's Continuous Service has not terminated prior to that date.

No additional Shares shall vest after the date of termination of Optionee's "Continuous Service" (as defined below), but this Option shall continue to be exercisable in accordance with Section 3 hereof with respect to that number of shares that have vested as of the date of termination of Optionee's Continuous Service.

For purposes of this Agreement, the term "Continuous Service" means (i) employment by either the Company or any Parent or Subsidiary (as such terms are defined in the Plan) of the Company, or by a corporation or a parent or subsidiary of a corporation issuing or assuming a stock option in a transaction to which Section 424(a) of the Code applies, which is uninterrupted except for vacations, illness (except for permanent disability, as defined in Section 22(e)(3) of the Code), or leaves of absence which are approved in writing by the Company or any of such other employer corporations, if applicable, (ii) service as a member of the Board of Directors of the Company until Optionee resigns, is removed from office, or Optionee's term of office expires and he or she is not reelected, or (iii) so long as Optionee is engaged as a Consultant or other Service Provider.

3. Term of Option. The right of the Optionee to exercise this Option shall terminate upon the first to occur of the following:

(a) the expiration of ten (10) years from the date of this Agreement;

(b) the expiration of one (1) year from the date of termination of Optionee's Continuous Service if such termination is due to permanent disability of the Optionee (as defined in Section 22(e)(3) of the Code);

(c) the expiration of one (1) year from the date of termination of Optionee's Continuous Service if such termination is due to Optionee's death or if death occurs during the three-month period following termination of Optionee's Continuous Service pursuant to Section 3(d) below;

(d) the expiration of three (3) months from the date of termination of Optionee's Continuous Service if such termination occurs for any reason other than permanent disability, death, or cause; provided, however, that if Optionee dies during such three-month period the provisions of Section 3(c) above shall apply;

(e) the termination of Optionee's Continuous Service, if such termination is for cause; or

(f) upon the consummation of a "Change in Control" (as defined in Section 2.4 of the Plan), unless otherwise provided pursuant to Section 10 below.

4. Exercise of Option. On or after the vesting of any portion of this Option in accordance with Sections 2 or 10 hereof, and until termination of the right to exercise this Option in accordance with Section 3 above, the portion of this Option that has vested may be exercised in whole or in part by the Optionee (or, after his or her death, by the person designated in Section 5 below) upon delivery of the following to the Company at its principal executive offices:

(a) a written notice of exercise which identifies this Agreement and states the number of Shares then being purchased (but no fractional Shares may be purchased), with any partial exercise being deemed to cover first vested Shares and then the earliest vesting installments of unvested Shares;

(b) a check or cash in the amount of the Exercise Price (or payment of the Exercise Price in such other form of lawful consideration as the Administrator may approve from time to time under the provisions of Section 5.3 of the Plan);

(c) a check or cash in the amount reasonably requested by the Company to satisfy the Company's withholding obligations under federal, state or other applicable tax laws with respect to the taxable income, if any, recognized by the Optionee in connection with the exercise of this Option (unless the Company and Optionee shall have made other arrangements for deductions or withholding from Optionee's wages, bonus or other compensation payable to Optionee, or by the withholding of Shares issuable upon exercise of this Option or the delivery of Shares owned by the Optionee in accordance with Section 10.1 of the Plan, provided such arrangements satisfy the requirements of applicable tax laws); and

(d) a letter, if requested by the Company, in such form and substance as the Company may require, setting forth the investment intent of the Optionee, or person designated in Section 5 below, as the case may be.

5. Death of Optionee; No Assignment. The rights of the Optionee under this Agreement may not be assigned or transferred except by will or by the laws of descent and distribution, and may be exercised during the lifetime of the Optionee only by such Optionee. Any attempt to sell, pledge, assign, hypothecate, transfer or dispose of this Option in contravention of this Agreement or the Plan shall be void and shall have no effect. If the Optionee's Continuous Service terminates as a result of his or her death, and provided Optionee's rights hereunder shall have vested pursuant to Section 2 hereof, Optionee's legal representative, his or her legatee, or the person who acquired the right to exercise this Option by reason of the death of the Optionee (individually, a "Successor") shall succeed to the Optionee's rights and obligations under this Agreement. After the death of the Optionee, only a Successor may exercise this Option.

6. Representations and Warranties of Optionee.

(a) Optionee represents and warrants that this Option is being acquired by Optionee for Optionee's personal account, for investment purposes only, and not with a view to the distribution, resale or other disposition thereof.

(b) Optionee acknowledges that the Company may issue Shares upon the exercise of the Option without registering such Shares under the Securities Act of l933, as amended (the "Securities Act"), on the basis of certain exemptions from such registration requirement. Accordingly, Optionee agrees that his or her exercise of the Option may be expressly conditioned upon his or her delivery to the Company of an investment certificate including such representations and undertakings as the Company may reasonably require in order to assure the availability of such exemptions, including a representation that Optionee is acquiring the Shares for investment and not with a present intention of selling or otherwise disposing thereof and an agreement by Optionee that the certificates evidencing the Shares may bear a legend indicating such non-registration under the Securities Act and the resulting restrictions on transfer. Optionee acknowledges that, because Shares received upon exercise of an Option may be unregistered, Optionee may be required to hold the Shares indefinitely unless they are subsequently registered for resale under the Securities Act or an exemption from such registration is available.

(c) Optionee acknowledges receipt of a copy of the Plan and understands that all rights and obligations connected with this Option are set forth in this Agreement and in the Plan.

7. Right of First Refusal.

(a) The Shares acquired pursuant to the exercise of this Option may be sold by the Optionee only in compliance with the provisions of this Section 7, and subject in all cases to compliance with the provisions of Section 6(b) hereof. Prior to any intended sale, Optionee shall first give written notice (the "Offer Notice") to the Company specifying (i) his or her bona fide intention to sell or otherwise transfer such Shares, (ii) the name and address of the proposed purchaser(s), (iii) the number of Shares the Optionee proposes to sell (the "Offered Shares"), (iv) the price for which he or she proposes to sell the Offered Shares, and (v) all other material terms and conditions of the proposed sale.

(b) Within 30 days after receipt of the Offer Notice, the Company or its nominee(s) may elect to purchase all or any portion of the Offered Shares at the price and on the terms and conditions set forth in the Offer Notice by delivery of written notice (the "Acceptance Notice") to the Optionee specifying the number of Offered Shares that the Company or its nominees

elect to purchase. Within 15 days after delivery of the Acceptance Notice to the Optionee, the Company and/or its nominee(s) shall deliver to the Optionee payment of the amount of the purchase price of the Offered Shares to be purchased pursuant to this Section 7, against delivery by the Optionee of a certificate or certificates representing the Offered Shares to be purchased, duly endorsed for transfer to the Company or such nominee(s), as the case may be. Payment shall be made on the same terms as set forth in the Offer Notice or, at the election of the Company or its nominees(s), by check or wire transfer of funds. If the Company and/or its nominee(s) do not elect to purchase all of the Offered Shares, the Optionee shall be entitled to sell the balance of the Offered Shares to the purchaser(s) named in the Offer Notice at the price specified in the Offer Notice or at a higher price and on the terms and conditions set forth in the Offer Notice; provided, however, that such sale or other transfer must be consummated within 60 days from the date of the Offer Notice and any proposed sale after such 60 day period may be made only by again complying with the procedures set forth in this Section 7.

(c) The Optionee may transfer all or any portion of the Shares to a trust established for the sole benefit of the Optionee and/or his or her spouse or children without such transfer being subject to the right of first refusal set forth in this Section 7, provided that the Shares so transferred shall remain subject to the terms and conditions of this Agreement and no further transfer of such Shares may be made without complying with the provisions of this Section 7.

(d) Any Successor of Optionee pursuant to Section 5 hereof, and any transferee of the Shares pursuant to this Section 7, shall hold the Shares subject to the terms and conditions of this Agreement and no further transfer of the Shares may be made without complying with the provisions of this Section 7.

(e) The rights provided the Company and its nominee(s) under this Section 7 shall terminate upon the closing of the initial public offering of shares of the Company's Common Stock pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act.

8. Restrictive Legends.

(a) Optionee hereby acknowledges that federal securities laws and the securities laws of the state in which he or she resides may require the placement of certain restrictive legends upon the Shares issued upon exercise of this Option, and Optionee hereby consents to the placing of any such legends upon certificates evidencing the Shares as the Company, or its counsel, may deem necessary or advisable.

(b) In addition, all stock certificates evidencing the Shares shall be imprinted with a legend substantially as follows:

"THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AND A RIGHT OF FIRST REFUSAL IN FAVOR OF THE COMPANY AND/OR ITS NOMINEE(S), AS SET FORTH IN A STOCK OPTION AGREEMENT. TRANSFER OF THESE SHARES MAY BE MADE ONLY IN COMPLIANCE WITH THE PROVISIONS OF SAID AGREEMENT, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF SAID CORPORATION. SUCH TRANSFER RESTRICTIONS AND RIGHT OF FIRST REFUSAL ARE BINDING ON TRANSFEREES OF THESE SHARES."

9. Adjustments Upon Changes in Capital Structure. In the event that the outstanding shares of Common Stock of the Company are hereafter increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company by reason of a recapitalization, stock split, combination of shares, reclassification, stock dividend or other change in the capital structure of the Company, then appropriate adjustment shall be made by the Administrator to the number of Shares subject to the unexercised portion of this Option and to the Exercise Price per share, in order to preserve, as nearly as practical, but not to increase, the benefits of the Optionee under this Option, in accordance with the provisions of Section 4.2 of the Plan.

10. Change in Control. In the event of a Change in Control (as defined in Section 2.4 of the Plan):

(a) The right to exercise this Option shall accelerate automatically and vest in full (notwithstanding the provisions of Section 2 above) effective as of immediately prior to the consummation of the Change in Control unless this Option is to be assumed by the acquiring or successor entity (or parent thereof) or a new option or New Incentives are to be issued in exchange therefor, as provided in subsection (b) below. If vesting of this Option will accelerate pursuant to the preceding sentence, the Administrator in its discretion may provide, in connection with the Change in Control transaction, for the purchase or exchange of this Option for an amount of cash or other property having a value equal to the difference (or "spread") between: (x) the value of the cash or other property that the Optionee would have received pursuant to the Change in Control transaction in exchange for the Shares issuable upon exercise of this Option had this Option been exercised immediately prior to the Change in Control, and (y) the aggregate Exercise Price for such Shares. If the vesting of this Option will accelerate pursuant to this subsection (a), then the Administrator shall cause written notice of the Change in Control transaction to be given to the Optionee not less than fifteen (15) days prior to the anticipated effective date of the proposed transaction.

(b) The vesting of this Option shall not accelerate if and to the extent that: (i) this Option (including the unvested portion thereof) is to be assumed by the acquiring or successor entity (or parent thereof) or a new option of comparable value is to be issued in exchange therefor pursuant to the terms of the Change in Control transaction, or (ii) this Option (including the unvested portion thereof) is to be replaced by the acquiring or successor entity (or parent thereof) with other incentives of comparable value under a new incentive program ("New Incentives") containing such terms and provisions as the Administrator in its discretion may consider equitable. If this Option is assumed, or if a new option of comparable value is issued in exchange therefor, then this Option or the new option shall be appropriately adjusted, concurrently with the Change in Control, to apply to the number and class of securities or other property that the Optionee would have received pursuant to the Change in Control transaction in exchange for the Shares issuable upon exercise of this Option had this Option been exercised immediately prior to the Change in Control, and appropriate adjustment also shall be made to the Exercise Price such that the aggregate Exercise Price of this Option or the new option shall remain the same as nearly as practicable.

(c) If the provisions of subsection (b) above apply, then this Option, the new option or the New Incentives shall continue to vest in accordance with the provisions of Section 2 hereof and shall continue in effect for the remainder of the term of this Option in accordance with the provisions of Section 3 hereof.

11. Limitation of Company's Liability for Nonissuance. The Company agrees to use its reasonable best efforts to obtain from any applicable regulatory agency such authority or approval as may be required in order to issue and sell the Shares to the Optionee pursuant to this Option. Inability of the Company to obtain, from any such regulatory agency, authority or approval deemed by the Company's counsel to be necessary for the lawful issuance and sale of the Shares hereunder and under the Plan shall relieve the Company of any liability in respect of the nonissuance or sale of such shares as to which such requisite authority or approval shall not have been obtained.

12. No Employment Contract Created. Neither the granting of this Option nor the exercise hereof shall be construed as granting to the Optionee any right with respect to continuance of employment by the Company or any of its subsidiaries. The right of the Company or any of its subsidiaries to terminate at will the Optionee's employment at any time (whether by dismissal, discharge or otherwise), with or without cause, is specifically reserved.

13. Rights as Stockholder. The Optionee (or transferee of this option by will or by the laws of descent and distribution) shall have no rights as a stockholder with respect to any Shares covered by this Option until such person has duly exercised this Option, paid the Exercise Price and become a holder of record of the Shares purchased.

14. "Market Stand-Off" Agreement.

(a) If requested by the Company or the managing underwriter pursuant to any proposed public offering of the Company's securities, the Optionee hereby agrees that it shall not, directly or indirectly, sell, lend, pledge, offer, transfer, make any short sale of, sell any option or contract to purchase, contract to sell, purchase any option or contract to sell, grant any option, right or warrant for the purchase of, otherwise transfer or dispose of, or enter into any hedging or similar transaction with the same economic effect as a sale, any Shares held by Optionee immediately prior to the effectiveness of the registration statement for such public offering for a period specified by the Company or the representative of the underwriters for such offering not to exceed one hundred eighty (180) days following the effective date of the public offering. Optionee further agrees to execute such agreements as may be reasonably requested by the Company or the managing underwriter in the public offering that are consistent with this Section 14 or that are necessary to give further effect thereto.

(b) In order to enforce the foregoing covenant, the Company may impose stop transfer instructions with respect to the Shares until the end of such period.

15. Interpretation. This Option is granted pursuant to the terms of the Plan, and shall in all respects be interpreted in accordance therewith. The Administrator shall interpret and construe this Option and the Plan, and any action, decision, interpretation or determination made in good faith by the Administrator shall be final and binding on the Company and the Optionee. As used in this Agreement, the term "Administrator" shall refer to the committee of the Board of Directors of the Company appointed to administer the Plan, and if no such committee has been appointed, the term Administrator shall mean the Board of Directors.

16. Notices. Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed given when delivered personally or three (3) days after being deposited in the United States mail, as certified or registered mail, with postage prepaid, (or by such other method as the Administrator may from time to time deem appropriate), and addressed, if to the Company, at its principal place of business, Attention: President, and if to the Optionee, at his or her most recent address as shown in the employment or stock records of the Company.

17. Governing Law. The validity, construction, interpretation, and effect of this Option shall be governed by and determined in accordance with the laws of the State of California.

18. Severability. Should any provision or portion of this Agreement be held to be unenforceable or invalid for any reason, the remaining provisions and portions of this Agreement shall be unaffected by such holding.

19. Attorneys' Fees. If any party shall bring an action in law or equity against another to enforce or interpret any of the terms, covenants and provisions of this Agreement, the prevailing party in such action shall be entitled to recover from the other party reasonable attorneys' fees and any expert witness fees.

20. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall be deemed one instrument.

21. California Corporate Securities Law. The sale of the shares that are the subject of this Agreement has not been qualified with the Commissioner of Corporations of the State of California and the issuance of such shares or the payment or receipt of any part of the consideration therefor prior to such qualification is unlawful, unless the sale of such shares is exempt from such qualification by Section 25100, 25102 or 25105 of the California Corporate Securities Law of l968, as amended. The rights of all parties to this Agreement are expressly conditioned upon such qualification being obtained, unless the sale is so exempt.

APPFOLIO, INC.

GRANT OF RESTRICTED STOCK

PURSUANT TO 2007 STOCK INCENTIVE PLAN

Dear [---------]: Date: ____, 20____

I am pleased to inform you that the Board of Directors of AppFolio, Inc. (the "Company") has granted you a total of _____ (_____) restricted shares of the Company's Common Stock (the "Shares") at a purchase price of $_____ per share. This grant was granted as of ____, 20____, pursuant to the Company's 2007 Stock Incentive Plan (the "Plan"), and is evidenced by the Restricted Stock Purchase Agreement (the "Agreement") that accompanies this letter.

A. Summary of Your Restricted Stock Grant.

Set forth below is a brief summary of your rights under the Agreement. The full terms and conditions of your grant are contained in the Agreement and the Plan. The following summary is qualified in its entirety by reference to those documents:

1. The Shares are subject to vesting over time, as specified in the Agreement, as well as other restrictions set forth in the Agreement and the Plan.

2. The Shares are subject to (i) repurchase by the Company upon termination of your service to the Company for any reason and (ii) a right of first refusal in favor of the Company in the event that you plan to sell the Shares.

3. If your service to the Company terminates, the Company has a right to repurchase the unvested Shares for the purchase price of such Shares.

4. The Shares are nontransferable except to a trust established for your benefit or for your spouse or children, and so long as the Shares remain subject to the provisions of the Agreement.

5. As described in the Summary of Tax Consequences included in the documents enclosed, under certain circumstances, you may benefit from making a timely election under Section 83(b) of the Internal Revenue Code with respect to your receipt of the Shares. This election must be made within thirty (30) days of the date you receive the Shares. We strongly urge you to consult with your personal tax advisor to determine if this would be an appropriate step for you to take. For your convenience, we have attached a form of 83(b) election to the Agreement.

B. List of Documents Enclosed with this Letter.

Copies of the following documents accompany this letter. Please take read through the following materials and then keep them in a safe place for future reference.

1. **Restricted Stock Purchase Agreement** (two copies). Please sign both copies on page 10 to indicate your acceptance of the Agreement and return one signed copy to the Company. In addition, please sign the Stock Assignment Separate from Certificate. In addition, if applicable, please have your spouse sign the Consent and Ratification of Spouse. If the Spousal Consent is not applicable, please indicate such on the form.

2. **AppFolio, Inc. 2007 Stock Incentive Plan.**

3. **Summary of Federal Income Tax Consequences Relating to Participation in the Company's 2007 Stock Incentive Plan.**

4. **Promissory Note and Pledge Agreement.**

5. **83(b) Election**. As described above, the election must be made and filed with the Internal Revenue Service within thirty (30) days of the date you receive the Shares.

If you have any questions about your Agreement, please feel free to discuss them with me. On behalf of the Board of Directors, I want to congratulate you for being selected to receive this stock grant.

Sincerely,

APPFOLIO, INC.

RESTRICTED STOCK PURCHASE AGREEMENT
UNDER
2007 STOCK INCENTIVE PLAN

THIS RESTRICTED STOCK PURCHASE AGREEMENT (the "Agreement") is entered into as of _____, 200_ by and between _____ (hereinafter referred to as "Purchaser"), and AppFolio, Inc., a Delaware corporation (hereinafter referred to as the "Company"), pursuant to the Company's 2007 Stock Incentive Plan (the "Plan"). Any capitalized term not defined herein shall have the same meaning ascribed to it in the Plan.

R E C I T A L S:

A. Purchaser is an employee, director, Consultant or other Service Provider, and in connection therewith has rendered services for and on behalf of the Company.

B. The Company desires to issue shares of common stock to Purchaser for the consideration set forth herein to provide an incentive for Purchaser to continue to provide "Continuous Service" (as defined below) to the Company and to exert added effort towards its growth and success.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth, and for other good and valuable consideration, the parties agree as follows:

1. Issuance of Shares. The Company hereby agrees to issue to Purchaser, and Purchaser hereby agrees to acquire, an aggregate of _____ (_____) shares of Common Stock of the Company (the "Shares") on the terms and conditions herein set forth.

2. Consideration. The purchase price for the Shares shall be _____ cents per share (the "Purchase Price"), which shall be paid by the delivery of Purchaser's check payable to the Company contemporaneous with the execution and delivery of this Agreement.

3. Vesting of Shares. Subject to Section 4(f) below, twenty-five percent (25%) of the Shares shall vest and become "Vested Shares" on the first anniversary of the Vesting Commencement Date (as defined below). Thereafter, the balance of the Shares shall become Vested Shares in a series of thirty-six (36) successive equal monthly installments for each full month of Continuous Service (as defined below) provided by the Purchaser, such that 100% of the Shares will become Vested Shares on the fourth anniversary of the Vesting Commencement Date if Purchaser provides Continuous Services through that date. For these purposes, the Vesting Commencement Date shall mean _____. Shares which have not yet become vested are herein called "Unvested Shares." No additional shares shall vest after the date of termination of Purchaser's Continuous Service.

For purposes of this Agreement, the term "Continuous Service" means (i) employment by either the Company or any parent or subsidiary corporation of the Company, or by any successor entity following a Change in Control, which is uninterrupted except for vacations, illness (except for permanent disability, as defined in Section 22(e)(3) of the Code), or leaves of absence which are approved in writing by the Company or any of such other employer corporations,

if applicable, (ii) service as a member of the Board of Directors of the Company until Purchaser resigns, is removed from office, or Purchaser's term of office expires and he or she is not reelected, or (iii) so long as Purchaser is engaged as a Consultant or other Service Provider.

4. <u>Reconveyance Upon Termination of Service</u>.

(a) Repurchase Right. The Company shall have the right (but not the obligation) to repurchase (the "Repurchase Right") all or any part of the Unvested Shares in the event that the Purchaser's Continuous Service terminates for any reason. Upon exercise of the Repurchase Right, the Purchaser shall be obligated to sell his or her Unvested Shares to the Company, as provided in this Section 4. In the event the Company does not exercise the Repurchase Right with respect to all of the Unvested Shares, the Company shall nevertheless continue to have the "Right of First Refusal" with respect to any remaining Unvested Shares during the period and as set forth in Section 5 below.

(b) Consideration for Repurchase Right. The repurchase price of the Unvested Shares (the "Repurchase Price") shall be equal to the Purchase Price of such Unvested Shares.

(c) Procedure for Exercise of Reconveyance Option. For sixty (60) days after the Termination Date or other event described in this Section 4, the Company may exercise the Repurchase Right by giving Purchaser and/or any other person obligated to sell written notice of the number of Unvested Shares which the Company desires to purchase. The Repurchase Price for the Unvested Shares (as determined pursuant to Section 4(b)) shall be payable, at the option of the Company, by check or by cancellation of all or a portion of any outstanding indebtedness of Purchaser to the Company, or by any combination thereof. In the event the Company does not exercise the Repurchase Right with respect to all of the unvested Shares, the Company shall nevertheless continue to have the Right of First Refusal with respect to any such remaining Unvested Shares as set forth in Section 5 below.

(d) Notification and Settlement. In the event that the Company has elected to exercise the Repurchase Right as to part or all of the Unvested Shares within the period described above, Purchaser or such other person shall deliver to the Company certificate(s) representing the Shares to be acquired by the Company within thirty (30) days following the date of the notice from the Company. The Company shall deliver to Purchaser against delivery of the Unvested Shares, checks of the Company payable to Purchaser and/or any other person obligated to transfer the Unvested Shares in the aggregate amount of the purchase price to be paid as set forth in paragraph 4(b) above.

(e) Deposit of Unvested Shares. Purchaser shall deposit with the Company certificates representing the Unvested Shares, together with a duly executed stock assignment separate from certificate in blank, which shall be held by the Secretary of the Company. Purchaser shall be entitled to vote and to receive dividends and distributions on all such deposited Shares.

(f) Termination. The provisions of this Section 4 shall automatically terminate, and the Unvested Shares shall not be subject to the Repurchase Right (and thus shall become Vested Shares) in accordance with Section 4(g) below.

(g) Notwithstanding Section 3, if Purchaser holds Shares at the time a Change in Control occurs, all Repurchase Rights shall automatically terminate immediately prior to the consummation of such Change in Control and the Shares subject to those terminated Repurchase Rights shall immediately vest in full except to the extent that this Agreement is continued, assumed, or substituted for by the acquiring or successor entity (or parent thereof) in connection with such Change in Control. Notwithstanding the foregoing sentence, if pursuant to a Change in Control the acquiring or successor entity (or parent thereof) provides for the continuance or assumption of this Agreement or the substitution for this Agreement of a new agreement of comparable value covering shares of a successor corporation (with appropriate adjustments as to the number and kind of shares and the purchase price), then the Repurchase Rights shall not terminate and vesting of the Shares shall not accelerate in connection with such Change in Control.

5. Right of First Refusal.

(a) The Shares acquired pursuant to this Agreement that are subject to the Repurchase Right may be sold by the Purchaser only in compliance with the provisions of this Section 5, and subject in all cases to compliance with the provisions of Section 6 hereof. Prior to any intended sale, Purchaser shall first give written notice (the "Offer Notice") to the Company specifying (i) his or her bona fide intention to sell or otherwise transfer such Shares, (ii) the name and address of the proposed purchaser(s), (iii) the number of Shares the Purchaser proposes to sell (the "Offered Shares"), (iv) the price for which he or she proposes to sell the Offered Shares, and (v) all other material terms and conditions of the proposed sale.

(b) Within 30 days after receipt of the Offer Notice, the Company or its nominee(s) may elect to purchase all or any portion of the Offered Shares at the price and on the terms and conditions set forth in the Offer Notice by delivery of written notice (the "Acceptance Notice") to the Purchaser specifying the number of Offered Shares that the Company or its nominee(s) elect to purchase. Within 15 days after delivery of the Acceptance Notice to the Purchaser, the Company and/or its nominee(s) shall deliver to the Purchaser a check in the amount of the purchase price of the Offered Shares to be purchased pursuant to this Section 5, against delivery by the Purchaser of a certificate or certificates representing the Offered Shares to be purchased, duly endorsed for transfer to the Company or such nominee(s), as the case may be. However, (i) should the purchase price specified in the Offered Notice be payable in property other than cash or evidences of indebtedness, the Company or its nominee(s) shall have the right to pay the purchase price in the form of cash equal in amount to the value of such property, and (ii) if there is no purchase price for the intended disposition, the Company or its nominee(s) shall have the right to purchase any or all of the Offered Shares for a purchase price in the form of cash equal in amount to the value of such Offered Shares. If the Purchaser and the Company or its nominee(s) cannot agree on such cash value within ten (10) days after the Company's receipt of the Offer Notice, the valuation shall be made by an appraiser of recognized standing selected by the Purchaser and the Company or its nominee(s) or, if they cannot agree on an appraiser within ten (10) days after the Company's receipt of such notice, each shall select an appraiser of recognized standing and the two appraisers shall designate a third appraiser of recognized standing, whose appraisal shall be determinative of such value.

(c) If the Company and/or its nominee(s) do not elect to purchase all of the Offered Shares, the Purchaser shall be entitled to sell the balance of the Offered Shares to the purchaser(s) named in the Offer Notice at the price specified in the Offer Notice or at a higher price and on the terms and conditions set forth in the Offer Notice; provided, however, that any such sale or disposition must not be effected in contravention of the representations made by the Purchaser in Section 8 of this Agreement. Such sale or other transfer must be consummated within 60 days from the date of the Offer Notice and any proposed sale after such 60-day period may be made only by again complying with the procedures set forth in this Section 5.

(d) The Purchaser may transfer all or any portion of the Shares to a trust established for the sole benefit of the Purchaser and/or his or her spouse or children without such transfer being subject to the right of first refusal set forth in this Section 5, provided that the Shares so transferred shall remain subject to the terms and conditions of this Agreement and no further transfer of such Shares may be made without complying with the provisions of this Section 5.

(e) Any transferee of the Shares pursuant to this Section 5, shall hold the Shares subject to the terms and conditions of this Agreement and no further transfer of the Shares may be made without complying with the provisions of this Section 5.

(f) Until such time as the Company's right of first refusal lapses and ceases to have effect pursuant to the provisions of Section 5(g), the stock certificates for the Shares purchased pursuant to this Agreement shall be endorsed with the following legend:

> THE SHARES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, ASSIGNED, TRANSFERRED, PLEDGED OR ENCUMBERED, EXCEPT IN CONFORMITY WITH THE TERMS OF A RESTRICTED STOCK PURCHASE AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER OF THE SHARES (OR HIS PREDECESSOR IN INTEREST). SUCH AGREEMENT GRANTS CERTAIN RIGHTS OF FIRST REFUSAL TO THE COMPANY (OR ITS NOMINEE(S)) UPON THE SALE, ASSIGNMENT, TRANSFER, PLEDGE OR ENCUMBRANCE OF THE SHARES. A COPY OF SUCH AGREEMENT IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY.

(g) The rights provided the Company and its nominee(s) under this Section 5 shall terminate upon the closing of the initial public offering of shares of the Company's Common Stock pursuant to a registration statement filed with and declared effective by the Securities and Exchange Commission under the Securities Act (a "Public Offering"), or immediately prior to the consummation of a Change in Control whereupon the Shares will be exchanged for shares of a successor corporation, which corporation is Publicly Held (as defined in the Plan).

6. Adjustments Upon Changes in Capital Structure. In the event that the outstanding Shares of Common Stock of the Company are hereafter increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company by reason of a recapitalization, stock split, combination of shares, reclassification, stock dividend, or other change in the capital structure of the Company, then Purchaser shall be entitled to new or additional or different shares of stock or securities, in order to preserve, as nearly as practical, but not to increase, the benefits of Purchaser under this Agreement, in accordance with the provisions of Section 4.2 of the Plan. Such new, additional or different shares shall be deemed "Shares" for purposes of this Agreement and subject to all of the terms and conditions hereof.

7. Shares Free and Clear. All Shares purchased by the Company pursuant to this Agreement shall be delivered by Purchaser free and clear of all claims, liens and encumbrances of every nature (except the provisions of this Agreement and any conditions concerning the Shares relating to compliance with applicable federal or state securities laws), and the purchaser thereof shall acquire full and complete title and right to all of the shares, free and clear of any claims, liens and encumbrances of every nature (again except for the provisions of this Agreement and such securities laws).

8. Investment Representations. The Purchaser acknowledges that he or she is aware that the Shares to be issued to him by the Company pursuant to this Agreement have not been registered under the Securities Act of 1933, as amended. In this connection, the Purchaser warrants and represents to the Company as follows:

(a) The Purchaser is purchasing the Shares solely for the Purchaser's own account for investment and not with a view to or for sale or distribution of the Shares or any portion thereof and not with any present intention of selling, offering to sell or otherwise disposing of or distributing the Shares or any portion thereof. The Purchaser also represents that the entire legal and beneficial interest of the Shares the Purchaser is purchasing is being purchased for, and will be held for the account of, the Purchaser only and neither in whole nor in part for any other person.

(b) The Purchaser has heretofore discussed the Company and its plans, operations and financial condition with its officers and that the Purchaser has heretofore received all such information as the Purchaser deems necessary and appropriate to enable the Purchaser to evaluate the financial risk inherent in making an investment in the Shares of the Company and the Purchaser further represents and warrants that the Purchaser has received satisfactory and complete information concerning the business and financial condition of the Company in response to all inquiries in respect thereof.

(c) The Purchaser realizes that the purchase of the Shares is a highly speculative investment and represents that the Purchaser is able, without impairing the Purchaser's financial condition, to hold the Shares for an indefinite period of time and to suffer a complete loss on the investment.

(d) The Company hereby discloses to the Purchaser and the Purchaser hereby acknowledges that:

(i) the Shares have not been registered under the Securities Act of 1933, as amended (the "Act"), and such Shares must be held indefinitely unless a transfer of them is subsequently registered under the Act or an exemption from such registration is available;

(ii) the share certificate representing the Shares will be stamped with the legends restricting transfer specified in this Agreement between the Company and the Purchaser; and

(iii) the Company will make a notation in its records of the aforementioned restrictions on transfer and legends.

(e) The Purchaser understands that the Shares are restricted securities within the meaning of Rule 144 promulgated under the Act; that the exemption from registration under Rule 144 will not be available in any event for at least one (1) year from the date of sale of the Shares to the Purchaser, and even then will not be available unless (i) a public trading market then exists for the Shares of the Company, (ii) adequate current public information concerning the Company is then available to the public, (iii) the Purchaser has been the beneficial owner and the Purchaser has paid the full Purchase Price for the Shares at least one (1) year prior to the sale, and (iv) other terms and conditions of Rule 144 are complied with; and that any sale of the Shares may be made by it only in limited amounts in accordance with such terms and conditions, as amended from time to time.

(f) Without in any way limiting any of the other provisions of this Agreement or its representations set forth above, the Purchaser further agrees that the Purchaser shall in no event make any disposition of all or any portion of the Shares which the Purchaser is purchasing unless and until:

(i) there is then in effect a Registration Statement under the Act covering such proposed disposition and such disposition is made in accordance with said Registration Statement; or

(ii) (A) the Purchaser shall have notified the Company of the proposed disposition and shall have furnished the Company with a detailed statement of the circumstances surrounding the proposed disposition, (B) the Purchaser shall have furnished the Company with an opinion of counsel to the effect that such disposition will not require registration of such shares under the Act, and (C) such opinion of counsel shall have been concurred in by counsel for the Company and the Company shall have advised the Purchaser of such concurrence.

9. Limitation of Company's Liability for Nonissuance; Unpermitted Transfers.

(a) The Company agrees to use its reasonable best efforts to obtain from any applicable regulatory agency such authority or approval as may be required in order to issue and sell the Shares to Purchaser pursuant to this Agreement. The inability of the Company to obtain, from any such regulatory agency, authority or approval deemed by the Company's counsel to be necessary for the lawful issuance and sale of the Shares hereunder and under the Plan shall relieve the Company of any liability in respect of the nonissuance or sale of such Shares as to which such requisite authority or approval shall not have been obtained.

(b) The Company shall not be required to: (i) transfer on its books any Shares of the Company which shall have been sold or transferred in violation of any of the provisions set forth in this Agreement, or (ii) treat as owner of such shares or to accord the right to vote as such owner or to pay dividends to any transferee to whom such shares shall have been so transferred. In the event of a sale of Shares by the Purchaser pursuant to Section 5, the Purchaser shall furnish to the Company proof that such sale was made in compliance with the provisions of Section 5 as to price and general terms of such sale.

10. Notices. Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed given when delivered personally or three (3) days after being deposited in the United States mail, as certified or registered mail, with postage prepaid, (or by such other method as the Administrator may from time to time deem appropriate), and addressed, if to the Company, at its principal place of business, Attention: President, and if to the Purchaser, at his or her most recent address as shown in the employment or stock records of the Company.

11. Binding Obligations. All covenants and agreements herein contained by or on behalf of any of the parties hereto shall bind and inure to the benefit of the parties hereto and their permitted successors and assigns.

12. Captions and Section Headings. Captions and section headings used herein are for convenience only, and are not part of this Agreement and shall not be used in construing it.

13. Amendment. This Agreement may not be amended, waived, discharged, or terminated other than by written agreement of the parties.

14. Entire Agreement. This Agreement and the Plan constitute the entire agreement between the parties with respect to the subject matter hereof and supersede all prior or contemporaneous written or oral agreements and understandings of the parties, either express or implied.

15. Assignment. Purchaser shall have no right, without the prior written consent of the Company, to (i) sell, assign, mortgage, pledge or otherwise transfer any interest or right created hereby, or (ii) delegate his or her duties or obligations under this Agreement. This Agreement is made solely for the benefit of the parties hereto, and no other person, partnership, association or corporation shall acquire or have any right under or by virtue of this Agreement.

16. Severability. Should any provision or portion of this Agreement be held to be unenforceable or invalid for any reason, the remaining provisions and portions of this Agreement shall be unaffected by such holding.

17. Counterparts. This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one agreement and any party hereto may execute this Agreement by signing any such counterpart. This Agreement shall be binding upon Purchaser and the Company at such time as the Agreement, in counterpart or otherwise, is executed by Purchaser and the Company.

18. Applicable Law. This Agreement shall be construed in accordance with the laws of the State of Delaware without reference to choice of law principles, as to all matters, including, but not limited to, matters of validity, construction, effect or performance.

19. No Agreement to Employ. Nothing in this Agreement shall affect any right with respect to continuance of employment by the Company or any of its subsidiaries. The right of the Company or any of its subsidiaries to terminate at will the Purchaser's employment at any time (whether by dismissal, discharge or otherwise), with or without cause, is specifically reserved, subject to any other written employment agreement to which the Company and Purchaser may be a party.

20. "Market Stand-Off" Agreement. Purchaser agrees in connection with any registration of the Company's securities that, upon the request of the Company or the underwriters managing any public offering of the Company's securities, Purchaser will not sell or otherwise dispose of any Purchased Shares without the prior written consent of the Company or such underwriters, as the case may be, for a period of time (not to exceed 180 days) from the effective date of such registration as the Company or the underwriters may specify.

21. Tax Elections. Purchaser understands that Purchaser (and not the Company) shall be responsible for the Purchaser's own tax liability that may arise as a result of the acquisition of the Shares. Purchaser acknowledges that Purchaser has considered the advisability of all tax elections in connection with the purchase of the Shares, including the making of an election under Section 83(b)

under the Internal Revenue Code of 1986, as amended ("Code"); Purchaser further acknowledges that the Company has no responsibility for the making of such Section 83(b) election. In the event Purchaser determines to make a Section 83(b) election, Purchaser agrees to timely provide a copy of the election to the Company as required under the Code.

22. Attorneys' Fees. If any party shall bring an action in law or equity against another to enforce or interpret any of the terms, covenants and provisions of this Agreement, the prevailing party in such action shall be entitled to recover reasonable attorneys' fees and costs.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

THE COMPANY:
APPFOLIO, INC.

By: _____

Name: _____
Title: _____

PURCHASER:

Signature: _____

Print Name: _____

CONSENT AND RATIFICATION OF SPOUSE

The undersigned, the spouse of _____, a party to the attached Restricted Stock Purchase Agreement (the "Agreement"), dated as of _____, hereby consents to the execution of said Agreement by such party; and ratifies, approves, confirms and adopts said Agreement, and agrees to be bound by each and every term and condition thereof as if the undersigned had been a signatory to said Agreement, with respect to the Shares (as defined in the Agreement) made the subject of said Agreement in which the undersigned has an interest, including any community property interest therein.

I also acknowledge that I have been advised to obtain independent counsel to represent my interests with respect to this Agreement but that I have declined to do so and I hereby expressly waive my right to such independent counsel.

Date: _____

_____
Spouse Signature

_____
Print Spouse Name

83(B) ELECTION

This statement is being made pursuant to Section 83(b) of the Internal Revenue Code, pursuant to Treas. Reg. Section 1.83-2.

1. The person who performed the services is:

Name: _____

Address: _____

_____

Social Security No.: _____

Taxable Year: 200_

2. The property with respect to which the election is being made is _____ shares (the "Shares") of the common stock of AppFolio, Inc., a Delaware corporation.

3. The property was issued on _____.

4. The property is subject to a repurchase right pursuant to which the issuer has the right to repurchase the Shares pursuant to the terms set forth in the Restricted Stock Purchase Agreement, dated _____, between the issuer and the Employee. The repurchase price of any vested Shares shall be equal to the Fair Market Value of such vested Shares as of the termination date and the repurchase price for any unvested shares shall be equal to the original purchase price of such unvested Shares. The issuer's repurchase right lapses on _____.

5. The fair market value at the time of transfer (determined without regard to any restriction other than a restriction which by its terms will never lapse) of the property with respect to which the election is being made is $____ per share.

6. The amount paid for such property is $____ per share.

7. A copy of this statement was furnished to AppFolio, Inc., for whom Person rendered the service underlying the transfer of property.

Dated: _____, 200__

_____
Signature

_____
Print Name

_____
Spouse Signature

_____
Print Name of Spouse

Assignment Separate From Certificate

FOR VALUE RECEIVED _____ hereby sells, assigns and transfers unto AppFolio, Inc., a Delaware corporation (the "Company"), _____ (_____) shares of the _____ Capital Stock of _____ standing in _____ name on the books of said _____ represented by Certificate No. _____ herewith and does hereby irrevocably constitute and appoints _____ Attorney to transfer the said stock on the books of the within named Company with full power of substitution in the premises.

Dated: _____ Signature: _____

Print Name: _____

2015 STOCK INCENTIVE PLAN

APPFOLIO, INC.

APPFOLIO, INC.

2015 STOCK INCENTIVE PLAN

As adopted by the Board of Directors on May 13, 2015

ARTICLE 1

PURPOSES OF THE PLAN; TERM

1.1 Purposes. The purposes of the Plan are (a) to enhance the Company's ability to attract and retain the services of qualified employees, officers, directors, consultants and other service providers upon whose judgment, initiative and efforts the successful conduct and development of the Company's business largely depends and (b) to provide additional incentives to such persons or entities to devote their utmost effort and skill to the advancement and betterment of the Company, by providing them an opportunity to participate in the ownership of the Company and thereby have an interest in the success and increased value of the Company.

1.2 Term. Unless earlier terminated as provided herein, this Plan will become effective on the Effective Date and will terminate ten (10) years from the date this Plan is adopted by the Board.

ARTICLE 2

DEFINITIONS

For purposes of this Plan, terms not otherwise defined herein will have the meanings indicated below:

2.1 "***Affiliate***" means (i) any entity that, directly or indirectly, is controlled by, controls or is under common control with, the Company and (ii) any entity in which the Company has a significant equity interest, in either case as determined by the Committee, whether now or hereafter existing.

2.2 "***Award***" means any award under the Plan, including any Option, Restricted Stock, Stock Bonus, Stock Appreciation Right, Restricted Stock Unit or Performance Awards.

2.3 "***Award Agreement***" means, with respect to each Award, the written or electronic agreement between the Company and the Participant setting forth the terms and conditions of the Award, and country-specific appendix thereto for grants to non-U.S. Participants, which will be in substantially a form (which need not be the same for each Participant) that the Committee (or in the case of Award agreements that are not used for Insiders, the Committee's delegate(s)) has from time to time approved, and will comply with and be subject to the terms and conditions of this Plan.

2.4 "***Award Transfer Program***" means any program instituted by the Committee which would permit Participants the opportunity to transfer any outstanding Awards to a financial institution or other person or entity approved by the Committee.

2.5 "***Board***" means the Board of Directors of the Company.

2.6 "***Cause***" means termination of Service because of (a) any willful, material violation by the Participant of any law or regulation applicable to the business of the Company or a Parent, Subsidiary or Affiliate of the Company, the Participant's conviction for or guilty plea to a felony or a crime involving moral turpitude or any willful perpetration by the Participant of a common law fraud; (b) the Participant's commission of an act of personal dishonesty which involves personal profit in connection with the Company or any other entity having a business relationship with the Company; (c) any material breach by the Participant of any provision of any agreement or understanding between the Company or any Parent, Subsidiary or Affiliate of the Company and the Participant regarding the terms of the Participant's Service, including the willful and continued failure or refusal of the Participant to perform the material duties required of such Participant as an Employee, Officer, Director, Non-Employee Director or Consultant of the Company or a Parent, Subsidiary or Affiliate of the Company, other than as a result of having a Disability or a breach of any applicable invention assignment and confidentiality agreement or similar agreement between the Company or a Parent, Subsidiary or Affiliate of the Company and the Participant; (d) Participant's disregard of the policies of the Company or any Parent, Subsidiary or Affiliate of the Company so as to cause loss, damage or injury to the property, reputation or employees of the Company or a Parent, Subsidiary or Affiliate of the Company or (e) any other misconduct by the Participant which is materially injurious to the financial condition or business reputation of or is otherwise materially injurious to the Company or a Parent, Subsidiary or Affiliate of the Company. The determination as to whether a Participant is being terminated for Cause will be made in good faith by the Company and will be final and binding on the Participant. The foregoing definition does not in any way limit the Company's ability to terminate a Participant's employment or consulting relationship at any time as provided in Section 13.12, and the term "Company" will be interpreted to include any Affiliate, Subsidiary or Parent, as appropriate. Notwithstanding the foregoing, the foregoing definition of "Cause" may, in part or in whole, be modified or replaced in each individual employment agreement or Award Agreement with any Participant, provided that such document supersedes the definition provided in this Section 2.6.

2.7 "***Class A Common Stock***" means the Class A Common Stock, par value $0.0001 per share, of the Company.

2.8 "***Code***" means the United States Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

2.9 "***Committee***" means the Compensation Committee of the Board or those persons to whom administration of the Plan or part of the Plan has been delegated as permitted by law.

2.10 "***Company***" means AppFolio, Inc. or any successor corporation.

2.11 "***Consultant***" means any natural person, including an advisor or independent contractor, engaged by the Company or a Parent, Subsidiary or Affiliate to render services to such entity.

2.12 "***Corporate Transaction***" means the occurrence of any of the following events: (a) any "Person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becomes the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the total voting power represented by the Company's then-outstanding voting securities; provided, however, that for purposes of this clause (a) the acquisition of additional securities by any one Person who is

considered to own more than fifty percent (50%) of the total voting power of the securities of the Company will not be considered a Corporate Transaction; (b) the consummation of the sale or disposition by the Company of all or substantially all of the Company's assets; (c) the consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation; (d) any other transaction which qualifies as a "corporate transaction" under Section 424(a) of the Code wherein the stockholders of the Company give up all of their equity interest in the Company (except for the acquisition, sale or transfer of all or substantially all of the outstanding shares of the Company) or (e) a change in the effective control of the Company that occurs on the date that a majority of members of the Board is replaced during any twelve (12) month period by member of the Board whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election; provided, however, that for purposes of this clause (e), if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a Corporate Transaction. For purposes of this definition, Persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock or similar business transaction with the Company. Notwithstanding the foregoing, to the extent that any amount constituting deferred compensation (as defined in Section 409A of the Code) would become payable under this Plan by reason of a Corporate Transaction, such amount will become payable only if the event constituting a Corporate Transaction would also qualify as a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company, each as defined within the meaning of Code Section 409A, as it has been and may be amended from time to time, and any proposed or final Treasury Regulations and IRS guidance that has been promulgated or may be promulgated thereunder from time to time.

2.13 "***Director***" means a member of the Board.

2.14 "***Disability***" means in the case of incentive stock options, total and permanent disability as defined in Section 22(e)(3) of the Code and in the case of other Awards, that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months.

2.15 "***Dividend Equivalent Right***" means the right of a Participant, granted at the discretion of the Committee or as otherwise provided by the Plan, to receive a credit for the account of such Participant in an amount equal to the cash, stock or other property dividends in amounts equal equivalent to cash, stock or other property dividends for each Share represented by an Award held by such Participant.

2.16 "***Effective Date***" means the business day immediately prior to the IPO Effective Date.

2.17 "***Employee***" means any person, including Officers and Directors, providing services as an employee to the Company or any Parent, Subsidiary or Affiliate. Neither service as a Director nor payment of a director's fee by the Company will be sufficient to constitute "employment" by the Company.

2.18 "***Exchange Act***" means the United States Securities Exchange Act of 1934, as amended.

2.19 "***Exchange Program***" means a program pursuant to which (a) outstanding Awards are surrendered, cancelled or exchanged for cash, the same type of Award or a different Award (or combination thereof) or (b) the exercise price of an outstanding Award is increased or reduced.

2.20 "***Exercise Price***" means, with respect to an Option, the price at which a holder may purchase the Shares issuable upon exercise of an Option and with respect to a SAR, the price at which the SAR is granted to the holder thereof.

2.21 "***Fair Market Value***" means, as of any date, the value of a share of the Company's Class A Common Stock determined as follows: (a) if such Class A Common Stock is publicly traded and is then listed on a national securities exchange, its closing price on the date of determination on the principal national securities exchange on which the Class A Common Stock is listed or admitted to trading as reported in The Wall Street Journal or such other source as the Committee deems reliable; (b) if such Class A Common Stock is publicly traded but is neither listed nor admitted to trading on a national securities exchange, the average of the closing bid and asked prices on the date of determination as reported in The Wall Street Journal or such other source as the Committee deems reliable or (c) if none of the foregoing is applicable, by the Board or the Committee in good faith using any reasonable method of evaluation in a manner consistent with the valuation principles under Section 409A of the Code.

2.22 "***Insider***" means an officer or director of the Company or any other person whose transactions in the Company's Class A Common Stock are subject to Section 16 of the Exchange Act.

2.23 "***IPO Effective Date***" means the date on which the underwritten initial public offering of the Company's Class A Common Stock pursuant to a registration statement is declared effective by the SEC.

2.24 "***IRS***" means the United States Internal Revenue Service.

2.25 "***Non-Employee Director***" means a Director who is not an Employee of the Company or any Parent or Subsidiary.

2.26 "***Option***" means an award of an option to purchase Shares pursuant to Article 4 or Article 10.

2.27 "***Parent***" means any corporation (other than the Company) in an unbroken chain of corporations ending with the Company if each of such corporations other than the Company owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

2.28 "***Participant***" means a person who holds an Award under this Plan.

2.29 "***Performance Award***" means cash or stock granted pursuant to Article 9 or Article 10.

2.30 "***Performance Factors***" means any of the factors selected by the Committee and specified in an Award Agreement, from among the following objective measures, either individually, alternatively or in any combination, applied to the Company as a whole or any business unit or Subsidiary, either individually, alternatively or in any combination, on a GAAP or non-GAAP basis, and measured, to the extent applicable on an absolute basis or relative to a pre-established target, to determine whether the performance goals established by the Committee with respect to applicable Awards have been satisfied: (a) profit before tax; (b) billings; (c) revenue; (d) net revenue; (e) earnings (which may include earnings before interest and taxes, earnings before taxes and net earnings); (f) operating income; (g) operating margin; (h) operating profit; (i) controllable operating profit; (j) net operating profit; (k) net profit; (l) gross margin; (m) operating expenses or operating expenses as a percentage of revenue; (n) net income; (o) earnings per share; (p) total stockholder return; (q) market share; (r) return on assets or net assets; (s) the Company's stock price; (t) growth in stockholder value relative to a pre-determined index; (u) return on equity; (v) return on invested capital; (w) cash flow (including free cash flow or operating cash flows); (x) cash conversion cycle; (y) economic value added; (z) individual confidential business objectives; (aa) contract awards or backlog; (bb) overhead or other expense reduction; (cc) credit rating; (dd) strategic plan development and implementation; (ee) succession plan development and implementation; (ff) improvement in workforce diversity; (gg) customer indicators; (hh) new product invention or innovation; (ii) attainment of research and development milestones; (jj) improvements in productivity; (kk) bookings; (ll) attainment of objective operating goals and employee metrics and (mm) any other metric that is capable of measurement as determined by the Committee. The Committee may, in recognition of unusual or non-recurring items such as acquisition-related activities or changes in applicable accounting rules, provide for one or more equitable adjustments (based on objective standards) to the Performance Factors to preserve the Committee's original intent regarding the Performance Factors at the time of the initial award grant. It is within the sole discretion of the Committee to make or not make any such equitable adjustments.

2.31 "***Performance Period***" means the period of service determined by the Committee, not to exceed five (5) years, during which years of service or performance is to be measured for the Award.

2.32 "***Performance Share***" means an Award granted pursuant to Article 9 or Article 10.

2.33 "***Permitted Transferee***" means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law (including adoptive relationships) of the Employee, any person sharing the Employee's household (other than a tenant or employee), a trust in which these persons (or the Employee) have more than 50% of the beneficial interest, a foundation in which these persons (or the Employee) control the management of assets, and any other entity in which these persons (or the Employee) own more than 50% of the voting interests.

2.34 "***Plan***" means this AppFolio, Inc. 2015 Stock Incentive Plan.

2.35 "***Purchase Price***" means the price to be paid for Shares acquired under the Plan, other than Shares acquired upon exercise of an Option or SAR.

2.36 "***Restricted Stock Award***" means an award of Shares pursuant to Article 5 or Article 10 or issued pursuant to the early exercise of an Option.

2.37 "***Restricted Stock Unit***" means an Award granted pursuant to Article 8 or Article 10.

2.38 "***SEC***" means the United States Securities and Exchange Commission.

2.39 "***Securities Act***" means the United States Securities Act of 1933, as amended.

2.40 "***Service***" means service as an Employee, Consultant, Director or Non-Employee Director, to the Company or a Parent, Subsidiary or Affiliate, subject to such further limitations as may be set forth in the Plan or the applicable Award Agreement. An Employee will not be deemed to have ceased to provide Service in the case of (a) sick leave; (b) military leave or (c) any other leave of absence approved by the Company; provided, that such leave is for a period of not more than 90 days (x) unless reemployment upon the expiration of such leave is guaranteed by contract or statute or (y) unless provided otherwise pursuant to formal policy adopted from time to time by the Company and issued and promulgated to employees in writing. In the case of any Employee on an approved leave of absence or a reduction in hours worked (for illustrative purposes only, a change in schedule from that of full-time to part-time), the Committee may make such provisions respecting suspension of or modification of vesting of the Award while on leave from the employ of the Company or a Parent, Subsidiary or Affiliate or during such change in working hours as it may deem appropriate, except that in no event may an Award be exercised after the expiration of the term set forth in the applicable Award Agreement. In the event of military leave, if required by applicable laws, vesting will continue for the longest period that vesting continues under any other statutory or Company approved leave of absence and, upon a Participant's returning from military leave (under conditions that would entitle him or her to protection upon such return under the Uniform Services Employment and Reemployment Rights Act), he or she will be given vesting credit with respect to Awards to the same extent as would have applied had the Participant continued to provide services to the Company throughout the leave on the same terms as he or she was providing Services immediately prior to such leave. An employee will have terminated employment as of the date he or she ceases to provide Services (regardless of whether the termination is in breach of local employment laws or is later found to be invalid) and employment will not be extended by any notice period or garden leave mandated by local law, provided however, that a change in status from an employee to a consultant or advisor will not terminate the service provider's Service, unless determined by the Committee, in its discretion. The Committee will have sole discretion to determine whether a Participant has ceased to provide Services and the effective date on which the Participant ceased to provide Services.

2.41 "***Shares***" means shares of the Company's Class A Common Stock and the common stock of any successor entity.

2.42 "***Stock Appreciation Right***" means an Award granted pursuant to Article 7 or Article 10.

2.43 "***Stock Bonus***" means an Award granted pursuant to Article 6 or Article 10.

2.44 "***Subsidiary***" means any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if each of the corporations other than the last corporation in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

2.45 "***Treasury Regulations***" means regulations promulgated by the United States Treasury Department.

2.46 "***Unvested Shares***" means Shares that have not yet vested or are subject to a right of repurchase in favor of the Company (or any successor thereto).

ARTICLE 3

PLAN SHARES

3.1 Number of Shares Available. Subject to Sections 3.4 and 3.6 and Article 12 and any other applicable provisions hereof, the total number of Shares reserved and available for grant and issuance pursuant to this Plan as of the date of adoption of the Plan by the Board, is 2,000,000 Shares.

3.2 Lapsed, Returned Awards. Shares subject to Awards, and Shares issued under the Plan under any Award, will again be available for grant and issuance in connection with subsequent Awards under this Plan to the extent such Shares: (a) are subject to issuance upon exercise of an Option or SAR granted under this Plan but which cease to be subject to the Option or SAR for any reason other than exercise of the Option or SAR; (b) are subject to Awards granted under this Plan that are forfeited or are repurchased by the Company at the original issue price; (c) are subject to Awards granted under this Plan that otherwise terminate without such Shares being issued or (d) are surrendered pursuant to an Exchange Program. To the extent an Award under the Plan is paid out in cash rather than Shares, such cash payment will not result in reducing the number of Shares available for issuance under the Plan. Shares used to pay the exercise price of an Award or withheld to satisfy the tax withholding obligations related to an Award will become available for future grant or sale under the Plan.

3.3 Minimum Share Reserve. At all times the Company will reserve and keep available a sufficient number of Shares as will be required to satisfy the requirements of all outstanding Awards granted under this Plan.

3.4 Automatic Share Reserve Increase. The number of Shares available for grant and issuance under the Plan shall be increased on January 1, of each calendar year, by the lesser of (a) the number of Shares subject to Awards granted during the preceding calendar year and (b) such lesser number of Shares determined by the Board.

3.5 Limitations; Eligibility. No more than 5,000,000 Shares will be issued pursuant to the exercise of ISOs. ISOs may be granted only to Employees. All other Awards may be granted to Employees, Consultants, Directors and Non-Employee Directors; provided such Consultants, Directors and Non-Employee Directors render bona fide services not in connection with the offer and sale of securities in a capital-raising transaction. No Participant will be eligible to receive an Award or Awards for more than 500,000 Shares in any calendar year under this Plan except that new Employees of the Company or of a Parent or Subsidiary of the Company are eligible to be granted up to a maximum of an Award or Awards for 750,000 Shares in the calendar year in which they commence their employment.

3.6 Adjustment of Shares. If, after the Effective Date, the number of outstanding Shares is changed by a stock dividend, extraordinary dividends or distributions (whether in cash, shares or other property, other than a regular cash dividend) recapitalization, stock split, reverse stock split, subdivision, combination, reclassification, spin-off or similar change in the capital structure of the Company, then (a) the number of Shares reserved for issuance and future grant under the Plan set forth in Section 3.1, (b) the Exercise Prices of and number of Shares subject to outstanding Options and SARs; (c) the number of Shares subject to other outstanding Awards; (d) the maximum number of shares that may be issued as ISOs or other Awards set forth in Section 3.5; (e) the maximum number of Shares that may be issued to an individual or to a new Employee in any one calendar year set forth in Section 3.5 and (f) the number of Shares that may be granted as Awards to Non-Employee Directors as set forth in Article 10, will be proportionately adjusted, subject to any required action by the Board or the stockholders of the Company and in compliance with applicable securities laws, provided that fractions of a Share will not be issued.

ARTICLE 4

OPTIONS

4.1 Options. An Option is the right but not the obligation to purchase a Share, subject to certain conditions, if applicable. The Committee may grant Options to eligible Employees, Consultants and Directors and will determine whether such Options will be Incentive Stock Options within the meaning of the Code ("***ISOs***") or Nonqualified Stock Options ("***NSOs***"), the number of Shares subject to the Option, the Exercise Price of the Option, the period during which the Option may vest and be exercised, and all other terms and conditions of the Option, subject to the following terms of this Section 4.1.

4.2 Option Grant. Each Option granted under this Plan will identify the Option as an ISO or an NSO. An Option may be, but need not be, awarded upon satisfaction of such Performance Factors during any Performance Period as are set out in advance in the Participant's individual Award Agreement. If the Option is being earned upon the satisfaction of Performance Factors, then the Committee will: (a) determine the nature, length and starting date of any Performance Period for each Option and (b) select from among the Performance Factors to be used to measure the performance, if any. Performance Periods may overlap and Participants may participate simultaneously with respect to Options that are subject to different performance goals and other criteria.

4.3 Date of Grant. The date of grant of an Option will be the date on which the Committee makes the determination to grant such Option or a specified future date. The Award Agreement and a copy of this Plan will be delivered to the Participant within a reasonable time after the granting of the Option.

4.4 Exercise Period. Options may be vested and exercisable within the times or upon the conditions as set forth in the Award Agreement governing such Option; provided, however, that no Option will be exercisable after the expiration of ten (10) years from the date the Option is granted; and provided further that no ISO granted to a person who, at the time the ISO is granted, directly or by attribution owns more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any Parent or Subsidiary of the Company ("***Ten Percent Stockholder***") will be exercisable after the expiration of five (5) years from the date the ISO is granted. The Committee also may provide for Options to become exercisable at one time or from time to time, periodically or otherwise, in such number of Shares or percentage of Shares as the Committee determines.

4.5 Exercise Price. The Exercise Price of an Option will be determined by the Committee when the Option is granted, provided that (a) the Exercise Price of an Option will be not less than one hundred percent (100%) of the Fair Market Value of the Shares on the date of grant and (b) the Exercise Price of any ISO granted to a Ten Percent Stockholder will not be less than one hundred ten percent (110%) of the Fair Market Value of the Shares on the date of grant. Payment for the Shares purchased may be made in accordance with Section 13.1 and the Award Agreement and in accordance with any procedures established by the Company.

4.6 Method of Exercise. Any Option granted hereunder will be vested and exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Committee and set forth in the Award Agreement. An Option may not be exercised for a fraction of a Share. An Option will be deemed exercised when the Company receives: (a) notice of exercise (in such form as the Committee may specify from time to time) from the person entitled to exercise the Option (and/or via electronic execution through the authorized third party administrator) and (b) full payment for the Shares with respect to which the Option is exercised (together with applicable withholding taxes). Full payment may consist of any consideration and method of payment authorized by the Committee and permitted by the Award Agreement and the Plan. Shares issued upon exercise of an Option will be issued in the name of the Participant. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder will exist with respect to the Shares, notwithstanding the exercise of the Option. The Company will issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 3.6. Exercising an Option in any manner will decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

4.7 Termination of Service. If the Participant's Service terminates for any reason except for Cause or the Participant's death or Disability, then the Participant may exercise such Participant's Options only to the extent that such Options would have been exercisable by the Participant on the date Participant's Service terminates no later than three (3) months after the date Participant's Service terminates (or such shorter or longer time period as may be determined by the Committee, with any exercise beyond three (3) months after the date Participant's Service terminates deemed to be the exercise of an NSO), but in any event no later than the expiration date of the Options. If the Participant's Service terminates because of the Participant's death (or the Participant dies within three (3) months after Participant's Service terminates other than for Cause or because of the Participant's Disability), then the Participant's Options may be exercised only to the extent that such Options would have been exercisable by the Participant on the date Participant's Service terminates and must be exercised by the Participant's legal representative or authorized assignee no later than twelve (12) months after the date Participant's Service terminates (or such shorter time period or longer time period as may be determined by the Committee), but in any event no later than the expiration date of the Options. If the Participant's Service terminates because of the Participant's Disability, then the Participant's Options may be exercised only to the extent that such Options would have been exercisable by the Participant on the date Participant's Service terminates and must be exercised by the Participant (or the Participant's legal representative or authorized assignee) no later than twelve (12) months after the date Participant's Service terminates (or such shorter or longer

time period as may be determined by the Committee, with any exercise beyond (a) three (3) months after the date Participant's Service terminates when the termination of Service is for a Disability that is not a "permanent and total disability" as defined in Section 22(e)(3) of the Code or (b) twelve (12) months after the date Participant's Service terminates when the termination of Service is for a Disability that is a "permanent and total disability" as defined in Section 22(e)(3) of the Code, deemed to be exercise of an NSO), but in any event no later than the expiration date of the Options. If the Participant is terminated for Cause, then Participant's Options will expire on such Participant's date of termination of Service or at such later time and on such conditions as are determined by the Committee, but in any no event later than the expiration date of the Options. Unless otherwise provided in the Award Agreement, Cause will have the meaning set forth in the Plan.

4.8 Limitations on Exercise. The Committee may specify a minimum number of Shares that may be purchased on any exercise of an Option, provided that such minimum number will not prevent any Participant from exercising the Option for the full number of Shares for which it is then exercisable.

4.9 Limitations on ISOs. With respect to Awards granted as ISOs, to the extent that the aggregate Fair Market Value of the Shares with respect to which such ISOs are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds one hundred thousand dollars ($100,000), such Options will be treated as NSOs. For purposes of this Section 4.9, ISOs will be taken into account in the order in which they were granted. The Fair Market Value of the Shares will be determined as of the time the Option with respect to such Shares is granted. In the event that the Code or the regulations promulgated thereunder are amended after the Effective Date to provide for a different limit on the Fair Market Value of Shares permitted to be subject to ISOs, such different limit will be automatically incorporated herein and will apply to any Options granted after the effective date of such amendment.

4.10 Modification, Extension or Renewal. The Committee may modify, extend or renew outstanding Options and authorize the grant of new Options in substitution therefor, provided that any such action may not, without the written consent of a Participant, impair any of such Participant's rights under any Option previously granted. Any outstanding ISO that is modified, extended, renewed or otherwise altered will be treated in accordance with Section 424(h) of the Code. Subject to Section 13.9, by written notice to affected Participants, the Committee may reduce the Exercise Price of outstanding Options without the consent of such Participants; provided, however, that the Exercise Price may not be reduced below the Fair Market Value on the date the action is taken to reduce the Exercise Price.

4.11 No Disqualification. Notwithstanding any other provision in this Plan, no term of this Plan relating to ISOs will be interpreted, amended or altered, nor will any discretion or authority granted under this Plan be exercised, so as to disqualify this Plan under Section 422 of the Code or, without the consent of the Participant affected, to disqualify any ISO under Section 422 of the Code.

ARTICLE 5
RESTRICTED STOCK AWARDS

5.1 Restricted Stock Awards. A Restricted Stock Award is an offer by the Company to sell to an eligible Employee, Consultant or Director Shares that are subject to restrictions ("***Restricted Stock***"). The Committee will determine to whom an offer will be made, the number of Shares the Participant may purchase, the Purchase Price, the restrictions under which the Shares will be subject and all other terms and conditions of the Restricted Stock Award, subject to the Plan.

5.2 Restricted Stock Purchase Agreement. All purchases under a Restricted Stock Award will be evidenced by an Award Agreement. Except as may otherwise be provided in an Award Agreement, a Participant accepts a Restricted Stock Award by signing and delivering to the Company an Award Agreement with full payment of the Purchase Price, within thirty (30) days from the date the Award Agreement was delivered to the Participant. If the Participant does not accept such Award within thirty (30) days, then the offer of such Restricted Stock Award will terminate, unless the Committee determines otherwise.

5.3 Purchase Price. The Purchase Price for a Restricted Stock Award will be determined by the Committee and may be less than Fair Market Value on the date the Restricted Stock Award is granted. Payment of the Purchase Price must be made in accordance with Section 13.1, the Award Agreement and any procedures established by the Company.

5.4 Terms of Restricted Stock Awards. Restricted Stock Awards will be subject to such restrictions as the Committee may impose or are required by law. These restrictions may be based on completion of a specified number of years of service with the Company or upon completion of Performance Factors, if any, during any Performance Period as set out in advance in the Participant's Award Agreement. Prior to the grant of a Restricted Stock Award, the Committee will: (a) determine the nature, length and starting date of any Performance Period for the Restricted Stock Award; (b) select from among the Performance Factors to be used to measure performance goals, if any and (c) determine the number of Shares that may be awarded to the Participant. Performance Periods may overlap and a Participant may participate simultaneously with respect to Restricted Stock Awards that are subject to different Performance Periods and having different performance goals and other criteria.

5.5 Termination of Service. Except as may be set forth in the Participant's Award Agreement, vesting ceases on such date Participant's Service terminates (unless determined otherwise by the Committee).

ARTICLE 6

STOCK BONUS AWARDS

6.1 Stock Bonus Awards. A Stock Bonus Award is an award to an eligible Employee, Consultant or Director of Shares for Services to be rendered or for past Services already rendered to the Company or any Parent or Subsidiary. All Stock Bonus Awards will be made pursuant to an Award Agreement. No payment from the Participant will be required for Shares awarded pursuant to a Stock Bonus Award.

6.2 Terms of Stock Bonus Awards. The Committee will determine the number of Shares to be awarded to the Participant under a Stock Bonus Award and any restrictions thereon. These restrictions may be based upon completion of a specified number of years of service with the Company or upon satisfaction of performance goals based on Performance Factors during any Performance Period as set out in advance in the Participant's Stock Bonus Agreement. Prior to the grant of any Stock Bonus Award the Committee will: (a) determine the nature, length and starting date of any Performance Period for the Stock Bonus Award; (b) select from among the Performance

Factors to be used to measure performance goals and (c) determine the number of Shares that may be awarded to the Participant. Performance Periods may overlap and a Participant may participate simultaneously with respect to Stock Bonus Awards that are subject to different Performance Periods and different performance goals and other criteria.

6.3 Form of Payment to Participant. Payment may be made in the form of cash, whole Shares or a combination thereof, based on the Fair Market Value of the Shares earned under a Stock Bonus Award on the date of payment, as determined in the sole discretion of the Committee.

6.4 Termination of Service. Except as may be set forth in the Participant's Award Agreement, vesting ceases on such date Participant's Service terminates (unless determined otherwise by the Committee).

ARTICLE 7

STOCK APPRECIATION RIGHTS

7.1 Stock Appreciation Rights. A Stock Appreciation Right ("***SAR***") is an award to an eligible Employee, Consultant or Director that may be settled in cash or Shares (which may consist of Restricted Stock) having a value equal to (a) the difference between the Fair Market Value on the date of exercise over the Exercise Price multiplied by (b) the number of Shares with respect to which the SAR is being settled (subject to any maximum number of Shares that may be issuable as specified in an Award Agreement). All SARs will be made pursuant to an Award Agreement.

7.2 Terms of SARs. The Committee will determine the terms of each SAR, including: (a) the number of Shares subject to the SAR; (b) the Exercise Price and the time or times during which the SAR may be settled; (c) the consideration to be distributed on settlement of the SAR and (d) the effect of the Participant's termination of Service on each SAR. The Exercise Price of the SAR will be determined by the Committee when the SAR is granted, and may not be less than Fair Market Value. A SAR may be awarded upon satisfaction of Performance Factors, if any, during any Performance Period as are set out in advance in the Participant's individual Award Agreement. If the SAR is being earned upon the satisfaction of Performance Factors, then the Committee will: (x) determine the nature, length and starting date of any Performance Period for each SAR and (y) select from among the Performance Factors to be used to measure the performance, if any. Performance Periods may overlap and Participants may participate simultaneously with respect to SARs that are subject to different Performance Factors and other criteria.

7.3 Exercise Period and Expiration Date. A SAR will be exercisable within the times or upon the occurrence of events determined by the Committee and set forth in the Award Agreement governing such SAR. The SAR Agreement will set forth the expiration date; provided that no SAR will be exercisable after the expiration of ten (10) years from the date the SAR is granted. The Committee may also provide for SARs to become exercisable at one time or from time to time, periodically or otherwise (including upon the attainment during a Performance Period of performance goals based on Performance Factors), in such number of Shares or percentage of the Shares subject to the SAR as the Committee determines. Except as may be set forth in the Participant's Award Agreement, vesting ceases on the date Participant's Service terminates (unless determined otherwise by the Committee). Notwithstanding the foregoing, the rules of Section 4.7 also will apply to SARs.

7.4 Form of Settlement. Upon exercise of a SAR, a Participant will be entitled to receive payment from the Company in an amount determined by multiplying (a) the difference between the Fair Market Value of a Share on the date of exercise over the Exercise Price; times (b) the number of Shares with respect to which the SAR is exercised. At the discretion of the Committee, the payment from the Company for the SAR exercise may be in cash, in Shares of equivalent value or in some combination thereof. The portion of a SAR being settled may be paid currently or on a deferred basis with such interest or dividend equivalent, if any, as the Committee determines, provided that the terms of the SAR and any deferral satisfy the requirements of Section 409A of the Code.

7.5 Termination of Service. Except as may be set forth in the Participant's Award Agreement, vesting ceases on such date Participant's Service terminates (unless determined otherwise by the Committee).

ARTICLE 8

RESTRICTED STOCK UNITS

8.1 Restricted Stock Units. A Restricted Stock Unit ("***RSU***") is an award to an eligible Employee, Consultant or Director covering a number of Shares that may be settled in cash and/or by issuance of Shares (which may consist of Restricted Stock). All RSUs will be made pursuant to an Award Agreement.

8.2 Terms of RSUs. The Committee will determine the terms of an RSU including: (a) the number of Shares subject to the RSU; (b) the time or times during which the RSU may be settled; (c) the amount (including any minimum amount), nature (which may include cash, Shares or a combination of both) and valuation of the consideration to be paid or distributed on settlement; (d) the effect of the Participant's termination of Service on each RSU; and (e) such other terms as the Committee may determine. An RSU may be awarded upon satisfaction of such performance goals based on Performance Factors during any Performance Period as are set out in advance in the Participant's Award Agreement. If the RSU is being earned upon satisfaction of Performance Factors, then the Committee will: (x) determine the nature, length and starting date of any Performance Period for the RSU; (y) select from among the Performance Factors to be used to measure the performance, if any and (z) determine the number of Shares deemed subject to the RSU. Performance Periods may overlap and participants may participate simultaneously with respect to RSUs that are subject to different Performance Periods and different performance goals and other criteria.

8.3 Timing of Settlement. Payment of earned RSUs will be made as soon as practicable after the date(s) determined by the Committee and set forth in the Award Agreement. The Committee may permit a Participant to defer payment under a RSU to a date or dates after the RSU is earned provided that the terms of the RSU and any deferral satisfy the requirements of Section 409A of the Code.

8.4 Termination of Service. Except as may be set forth in the Participant's Award Agreement, vesting ceases on such date Participant's Service terminates (unless determined otherwise by the Committee).

ARTICLE 9

PERFORMANCE AWARDS

9.1 Performance Awards. A Performance Award is an award to an eligible Employee, Consultant or Director of a cash bonus or an award of Performance Shares denominated in Shares that may be settled in cash or by issuance of those Shares (which may consist of Restricted Stock). Grants of Performance Awards will be made pursuant to an Award Agreement.

9.2 Terms of Performance Shares. The Committee will determine, and each Award Agreement will set forth, the terms of each Performance Award including: (a) the amount of any cash bonus; (b) the number of Shares deemed subject to an award of Performance Shares; (c) the Performance Factors and Performance Period that will determine the time and extent to which each award of Performance Shares will be settled; (d) the consideration to be distributed on settlement and (e) the effect of the Participant's termination of Service on each Performance Award. In establishing Performance Factors and the Performance Period the Committee will: (x) determine the nature, length and starting date of any Performance Period; (y) select from among the Performance Factors to be used and (z) determine the number of Shares deemed subject to the award of Performance Shares. Prior to settlement the Committee will determine the extent to which Performance Awards have been earned. Performance Periods may overlap and Participants may participate simultaneously with respect to Performance Awards that are subject to different Performance Periods and different performance goals and other criteria. No Participant will be eligible to receive more than $2,000,000 in Performance Awards in any calendar year under this Plan.

9.3 Value, Earning and Timing of Performance Shares. Each Performance Share will have an initial value equal to the Fair Market Value of a Share on the date of grant. After the applicable Performance Period has ended, the holder of Performance Shares will be entitled to receive a payout of the number of Performance Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding Performance Factors or other vesting provisions have been achieved. The Committee, in its sole discretion, may pay earned Performance Shares in the form of cash, in Shares (which have an aggregate Fair Market Value equal to the value of the earned Performance Shares at the close of the applicable Performance Period) or in a combination thereof.

9.4 Termination of Service. Except as may be set forth in the Participant's Award Agreement, vesting ceases on the date Participant's Service terminates (unless determined otherwise by the Committee).

ARTICLE 10

GRANTS TO NON-EMPLOYEE DIRECTORS

10.1 Grants To Non-Employee Directors. Non-Employee Directors are eligible to receive any type of Award offered under this Plan except ISOs. Awards pursuant to this Article 10 may be automatically made pursuant to policy adopted by the Board or made from time to time as determined in the discretion of the Board. The aggregate number of Shares subject to Awards granted to a Non-Employee Director pursuant to this Article 10 in any calendar year will not exceed 250,000, provided, however, that this maximum number can later be increased by the Board effective for the calendar year next commencing thereafter without further stockholder approval.

10.2 Eligibility. Awards pursuant to this Article 10 will be granted only to Non-Employee Directors. A Non-Employee Director who is elected or re-elected as a member of the Board will be eligible to receive an Award under this Article 10.

10.3 Vesting, Exercisability and Settlement. Except as set forth in Article 12, Awards will vest, become exercisable and be settled as determined by the Board. With respect to Options and SARs, the exercise price granted to Non-Employee Directors will not be less than the Fair Market Value of the Shares at the time that such Option or SAR is granted.

10.4 Election to receive Awards in Lieu of Cash. A Non-Employee Director may elect to receive his or her annual retainer payments and/or meeting fees from the Company in the form of cash or Awards or a combination thereof, as determined by the Committee. Such Awards will be issued under the Plan. An election under this Section 10.4 will be filed with the Company on the form prescribed by the Company.

ARTICLE 11

ADMINISTRATION OF THE PLAN

11.1 Committee Composition; Authority. This Plan will be administered by the Committee or by the Board acting as the Committee. Subject to the general purposes, terms and conditions of this Plan, and to the direction of the Board, the Committee will have full power to implement and carry out this Plan, except, however, the Board will establish the terms for the grant of an Award to Non-Employee Directors. The Committee will have the authority to: (a) construe and interpret this Plan, any Award Agreement and any other agreement or document executed pursuant to this Plan; (b) prescribe, amend and rescind rules and regulations relating to this Plan or any Award; (c) select persons to receive Awards; (d) determine the form and terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder, including the exercise price, the time or times when Awards may vest and be exercised (which may be based on performance criteria) or settled, any vesting acceleration or waiver of forfeiture restrictions, the method to satisfy tax withholding obligations or any other tax liability legally due and any restriction or limitation regarding any Award or the Shares relating thereto, based in each case on such factors as the Committee will determine; (e) determine the number of Shares or other consideration subject to Awards; (f) determine the Fair Market Value in good faith and interpret the applicable provisions of this Plan and the definition of Fair Market Value in connection with circumstances that impact the Fair Market Value, if necessary; (g) determine whether Awards will be granted singly, in combination with, in tandem with, in replacement of or as alternatives to other Awards under this Plan or any other incentive or compensation plan of the Company or any Parent or Subsidiary of the Company; (h) grant waivers of Plan or Award conditions; (i) determine the vesting, exercisability and payment of Awards; (j) correct any defect, supply any omission or reconcile any inconsistency in this Plan, any Award or any Award Agreement; (k) determine whether an Award has been earned; (l) institute any Exchange Program and determine the terms and conditions thereof; (m) reduce or waive any criteria with respect to Performance Factors; (n) adjust Performance Factors to take into account changes in law and accounting or tax rules as the Committee deems necessary or appropriate to reflect the impact of extraordinary or unusual items, events or circumstances to avoid windfalls or hardships provided that such adjustments are consistent with the regulations promulgated under Section 162(m) of the Code with respect to persons whose compensation is subject to Section 162(m) of the Code; (o) adopt terms and conditions, rules and procedures (including the adoption of any sub-plan under this Plan) relating to the operation and administration of the Plan to accommodate

requirements of local law and procedures outside of the United States; (p) make all other determinations necessary or advisable for the administration of this Plan and (q) delegate any of the foregoing to one or more officers, each of whom is also a Director, pursuant to a specific delegation as permitted by applicable law, including Section 157(c) of the Delaware General Corporation Law, provided, however, that any such delegation may only be with respect to Employees who are not Insiders.

11.2 Committee Interpretation and Discretion. Any determination made by the Committee with respect to any Award will be made in its sole discretion at the time of grant of the Award or, unless in contravention of any express term of the Plan or Award, at any later time, and such determination will be final and binding on the Company and all persons having an interest in any Award under the Plan. Any dispute regarding the interpretation of the Plan or any Award Agreement will be submitted by the Participant or Company to the Committee for review. The resolution of such a dispute by the Committee will be final and binding on the Company and the Participant. The Committee may delegate to one or more officers, each of whom is also a Director, the authority to review and resolve disputes with respect to Awards held by Participants who are not Insiders, and such resolution will be final and binding on the Company and the Participant.

11.3 Section 162(m) of the Code and Section 16 of the Exchange Act. When necessary or desirable for an Award to qualify as "performance-based compensation" under Section 162(m) of the Code the Committee will include at least two persons who are "outside directors" (as defined under Section 162(m) of the Code) and at least two (or a majority if more than two then serve on the Committee) such "outside directors" will approve the grant of such Award and timely determine (as applicable) the Performance Period and any Performance Factors upon which vesting or settlement of any portion of such Award is to be subject. When required by Section 162(m) of the Code, prior to settlement of any such Award at least two (or a majority if more than two then serve on the Committee) such "outside directors" then serving on the Committee will determine and certify in writing the extent to which such Performance Factors have been timely achieved and the extent to which the Shares subject to such Award have thereby been earned. Awards granted to Participants who are subject to Section 16 of the Exchange Act must be approved by two or more "non-employee directors" (as defined in the regulations promulgated under Section 16 of the Exchange Act). With respect to Participants whose compensation is subject to Section 162(m) of the Code, and provided that such adjustments are consistent with the regulations promulgated under Section 162(m) of the Code, the Committee may adjust the performance goals to account for changes in law and accounting and to make such adjustments as the Committee deems necessary or appropriate to reflect the impact of extraordinary or unusual items, events or circumstances to avoid windfalls or hardships, including (a) restructurings, discontinued operations, extraordinary items, and other unusual or non-recurring charges; (b) an event either not directly related to the operations of the Company or not within the reasonable control of the Company's management or (c) a change in accounting standards required by generally accepted accounting principles.

11.4 Documentation. The Award Agreement for a given Award, the Plan and any other documents may be delivered to, and accepted by, a Participant or any other person in any manner (including electronic distribution or posting) that meets applicable legal requirements.

11.5 Foreign Award Recipients. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws and practices in other countries in which the Company and its Subsidiaries operate or have employees or other individuals eligible for Awards, the Committee, in its sole discretion, will have the power and authority to: (a) determine which Subsidiaries and

Affiliates will be covered by the Plan; (b) determine which individuals outside the United States are eligible to participate in the Plan, which may include individuals who provide services to the Company, Subsidiary or Affiliate under an agreement with a foreign nation or agency; (c) modify the terms and conditions of any Award granted to individuals outside the United States or foreign nationals to comply with applicable foreign laws, policies, customs and practices; (d) establish sub-plans and modify exercise procedures and other terms and procedures, to the extent the Committee determines such actions to be necessary or advisable (and such sub-plans and/or modifications will be attached to this Plan as appendices); provided, however, that no such sub-plans and/or modifications will increase the share limitations contained in Section 3.5 hereof and (e) take any action, before or after an Award is made, that the Committee determines to be necessary or advisable to obtain approval or comply with any local governmental regulatory exemptions or approvals. Notwithstanding the foregoing, the Committee may not take any actions hereunder, and no Awards will be granted, that would violate the Exchange Act or any other applicable United States securities law, the Code or any other applicable United States governing statute or law.

ARTICLE 12

CORPORATE TRANSACTIONS

12.1 Assumption or Replacement of Awards by Successor. In the event of a Corporate Transaction, any or all outstanding Awards may be assumed or replaced by the successor corporation, which assumption or replacement will be binding on all Participants. In the alternative, the successor corporation may substitute equivalent Awards or provide substantially similar consideration to Participants as was provided to stockholders (after taking into account the existing provisions of the Awards). The successor corporation may also issue, in place of outstanding Shares of the Company held by the Participant, substantially similar shares or other property subject to repurchase restrictions no less favorable to the Participant. In the event such successor or acquiring corporation (if any) refuses to assume, convert, replace or substitute Awards, as provided above, pursuant to a Corporate Transaction, then notwithstanding any other provision in this Plan to the contrary, such Awards will have their vesting accelerate as to all shares subject to such Award (and any applicable right of repurchase fully lapse) immediately prior to the Corporate Transaction. In addition, in the event such successor or acquiring corporation (if any) refuses to assume, convert, replace or substitute Awards, as provided above, pursuant to a Corporate Transaction, the Committee will notify the Participant in writing or electronically that such Award will be exercisable for a period of time determined by the Committee in its sole discretion, and such Award will terminate upon the expiration of such period. Awards need not be treated similarly in a Corporate Transaction.

12.2 Assumption of Awards by the Company. The Company, from time to time, also may substitute or assume outstanding awards granted by another company, whether in connection with an acquisition of such other company or otherwise, by either; (a) granting an Award under this Plan in substitution of such other company's award or (b) assuming such award as if it had been granted under this Plan if the terms of such assumed award could be applied to an Award granted under this Plan. Such substitution or assumption will be permissible if the holder of the substituted or assumed award would have been eligible to be granted an Award under this Plan if the other company had applied the rules of this Plan to such grant. In the event the Company assumes an award granted by another company, the terms and conditions of such award will remain unchanged (except that the Purchase Price or the Exercise Price, as the case may be, and the number and nature of Shares issuable upon exercise or settlement of any such Award will be adjusted appropriately pursuant to Section 424(a) of the Code). In the event the Company elects to grant a new Option in substitution rather than assuming an existing option, such new Option may be granted with a similarly adjusted Exercise Price.

12.3 Non-Employee Directors' Awards. Notwithstanding any provision to the contrary herein, in the event of a Corporate Transaction, the vesting of all Awards granted to Non-Employee Directors will accelerate and such Awards will become exercisable (as applicable) in full prior to the consummation of such event at such times and on such conditions as the Committee determines.

ARTICLE 13

MISCELLANEOUS

13.1 Payment For Share Purchases. Payment from a Participant for Shares purchased pursuant to this Plan may be made in cash or by check or, where expressly approved for the Participant by the Committee and where permitted by law (and to the extent not otherwise set forth in the applicable Award Agreement): (a) by cancellation of indebtedness of the Company to the Participant; (b) by surrender of shares of the Company held by the Participant that have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Award will be exercised or settled; (c) by waiver of compensation due or accrued to the Participant for services rendered or to be rendered to the Company or a Parent or Subsidiary of the Company; (d) by consideration received by the Company pursuant to a broker-assisted or other form of cashless exercise program implemented by the Company in connection with the Plan; (e) by any combination of the foregoing or (f) by any other method of payment as is permitted by applicable law.

13.2 Withholding Taxes. Whenever Shares are to be issued in satisfaction of Awards granted under this Plan or the applicable tax event occurs, the Company may require the Participant to remit to the Company or to the Parent or Subsidiary employing the Participant an amount sufficient to satisfy applicable U.S. federal, state, local and international withholding tax requirements or any other tax or social insurance liability legally due from the Participant prior to the delivery of Shares pursuant to exercise or settlement of any Award. Whenever payments in satisfaction of Awards granted under this Plan are to be made in cash, such payment will be net of an amount sufficient to satisfy applicable U.S. federal, state, local and international withholding tax or social insurance requirements or any other tax liability legally due from the Participant. The Fair Market Value of the Shares will be determined as of the date that the taxes are required to be withheld and such Shares will be valued based on the value of the actual trade or, if there is none, the Fair Market Value of the Shares as of the previous trading day. The Committee, or its delegate(s), as permitted by applicable law, in its sole discretion and pursuant to such procedures as it may specify from time to time and to limitations of local law, may require or permit a Participant to satisfy such tax withholding obligation or any other tax liability legally due from the Participant, in whole or in part by paying cash, electing to have the Company withhold otherwise deliverable cash or Shares having a Fair Market Value equal to the minimum statutory amount required to be withheld, delivering to the Company already-owned Shares having a Fair Market Value equal to the minimum amount required to be withheld or withholding from the proceeds of the sale of otherwise deliverable Shares acquired pursuant to an Award either through a voluntary sale or through a mandatory sale arranged by the Company.

13.3 Transferability. Unless determined otherwise by the Committee or pursuant to Section 13.4, an Award may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent or distribution. If the Committee makes

an Award transferable, including by instrument to an inter vivos or testamentary trust in which the Awards are to be passed to beneficiaries upon the death of the trustor (settlor) or by gift or by domestic relations order to a Permitted Transferee, such Award will contain such additional terms and conditions as the Committee deems appropriate. All Awards will be exercisable: (a) during the Participant's lifetime only by (i) the Participant or (ii) the Participant's guardian or legal representative; (b) after the Participant's death, by the legal representative of the Participant's heirs or legatees and (c) in the case of all awards except ISOs, by a Permitted Transferee.

13.4 Award Transfer Program. Notwithstanding any contrary provision of the Plan, the Committee will have all discretion and authority to determine and implement the terms and conditions of any Award Transfer Program instituted pursuant to this Section 13.4 and will have the authority to amend the terms of any Award participating, or otherwise eligible to participate in, the Award Transfer Program, including the authority to (a) amend (including to extend) the expiration date, post-termination exercise period and/or forfeiture conditions of any such Award; (b) amend or remove any provisions of the Award relating to the Award holder's continued service to the Company or its Parent or any Subsidiary; (c) amend the permissible payment methods with respect to the exercise or purchase of any such Award; (d) amend the adjustments to be implemented in the event of changes in the capitalization and other similar events with respect to such Award and (e) make such other changes to the terms of such Award as the Committee deems necessary or appropriate in its sole discretion.

13.5 Voting and Dividends. No Participant will have any of the rights of a stockholder with respect to any Shares until the Shares are issued to the Participant, except for any Dividend Equivalent Rights permitted by an applicable Award Agreement. Any Dividend Equivalent Rights will be subject to the same vesting or performance conditions as the underlying Award. In addition, the Committee may provide that any Dividend Equivalent Rights permitted by an applicable Award Agreement will be deemed to have been reinvested in additional Shares or otherwise reinvested. After Shares are issued to the Participant, the Participant will be a stockholder and have all the rights of a stockholder with respect to such Shares, including the right to vote and receive all dividends or other distributions made or paid with respect to such Shares; provided, that if such Shares are Restricted Stock, then any new, additional or different securities the Participant may become entitled to receive with respect to such Shares by virtue of a stock dividend, stock split or any other change in the corporate or capital structure of the Company will be subject to the same restrictions as the Restricted Stock; provided, further, that the Participant will have no right to retain such stock dividends or stock distributions with respect to Shares that are repurchased at the Participant's Purchase Price or Exercise Price, as the case may be, pursuant to Section 13.6.

13.6 Restrictions on Shares. At the discretion of the Committee, the Company may reserve to itself and/or its assignee(s) a right to repurchase (a "***Right of Repurchase***") a portion of any or all Unvested Shares held by a Participant following such Participant's termination of Service at any time within ninety (90) days (or such longer or shorter time determined by the Committee) after the later of the date Participant's Service terminates and the date the Participant purchases Shares under this Plan, for cash and/or cancellation of purchase money indebtedness, at the Participant's Purchase Price or Exercise Price, as the case may be.

13.7 Certificates. All Shares or other securities whether or not certificated, delivered under this Plan will be subject to such stock transfer orders, legends and other restrictions as the Committee may deem necessary or advisable, including restrictions under any applicable U.S. federal, state or foreign securities law or any rules, regulations and other requirements of the SEC or any stock exchange or automated quotation system upon which the Shares may be listed or quoted and any non-U.S. exchange controls or securities law restrictions to which the Shares are subject.

13.8 Escrow; Pledge of Shares. To enforce any restrictions on a Participant's Shares, the Committee may require the Participant to deposit all certificates representing Shares, together with stock powers or other instruments of transfer approved by the Committee, appropriately endorsed in blank, with the Company or an agent designated by the Company to hold in escrow until such restrictions have lapsed or terminated, and the Committee may cause a legend or legends referencing such restrictions to be placed on the certificates. Any Participant who is permitted to execute a promissory note as partial or full consideration for the purchase of Shares under this Plan will be required to pledge and deposit with the Company all or part of the Shares so purchased as collateral to secure the payment of the Participant's obligation to the Company under the promissory note; provided, however, that the Committee may require or accept other or additional forms of collateral to secure the payment of such obligation and, in any event, the Company will have full recourse against the Participant under the promissory note notwithstanding any pledge of the Participant's Shares or other collateral. In connection with any pledge of the Shares, the Participant will be required to execute and deliver a written pledge agreement in such form as the Committee will from time to time approve. The Shares purchased with the promissory note may be released from the pledge on a pro rata basis as the promissory note is paid.

13.9 Repricing; Exchange and Buyout of Awards. Without prior stockholder approval the Committee may (a) reprice Options or SARs (and where such repricing is a reduction in the Exercise Price of outstanding Options or SARs, the consent of the affected Participants is not required provided written notice is provided to them, notwithstanding any adverse tax consequences to them arising from the repricing) and (b) with the consent of the respective Participants (unless not required pursuant to Section 4.10), pay cash or issue new Awards in exchange for the surrender and cancellation of any, or all, outstanding Awards.

13.10 Deferrals. The Committee may determine that the delivery of Shares, payment of cash or a combination thereof upon the exercise, vesting or settlement of all or a portion of any Award may be deferred and may establish programs and procedures for deferral elections to be made by Participants. Deferrals by Participants will be made only in accordance with Section 409A of the Code. Consistent with Section 409A of the Code, the Committee may provide for distributions while a Participant is providing Services to the Company or any Parent or Subsidiary.

13.11 Securities Law and Other Regulatory Compliance. An Award will not be effective unless such Award is in compliance with all applicable U.S. and foreign federal and state securities and exchange control laws, rules and regulations of any governmental body, and the requirements of any stock exchange or automated quotation system upon which the Shares may then be listed or quoted, as they are in effect on the date of grant of the Award and also on the date of exercise or other issuance. Notwithstanding any other provision in this Plan, the Company will have no obligation to issue or deliver certificates for Shares under this Plan prior to: (a) obtaining any approvals from governmental agencies that the Company determines are necessary or advisable and (b) completion of any registration or other qualification of such Shares under any state or federal or foreign law or ruling of any governmental body that the Company determines to be necessary or advisable. The Company will be under no obligation to register the Shares with the SEC or to effect compliance with the registration, qualification or listing requirements of any foreign or state securities laws, exchange control laws, stock exchange or automated quotation system, and the Company will have no liability for any inability or failure to do so.

13.12 No Obligation To Employ. Nothing in this Plan or any Award granted under this Plan will confer or be deemed to confer on any Participant any right to continue in the employ of or to continue any other relationship with the Company or any Parent, Subsidiary or Affiliate or limit in any way the right of the Company or any Parent, Subsidiary or Affiliate to terminate Participant's employment or other relationship at any time.

13.13 Adoption and Stockholder Approval. This Plan will be subject to the approval of the Company's stockholders, consistent with applicable laws, within twelve (12) months after the date this Plan is adopted by the Board.

13.14 Governing Law. This Plan and all Awards granted hereunder will be governed by and construed in accordance with the laws of the State of Delaware (excluding its conflict of law rules).

13.15 Amendment or Termination of Plan. The Board may at any time terminate or amend this Plan in any respect, including amendment of any form of Award Agreement or instrument to be executed pursuant to this Plan; provided, however, that the Board will not, without the approval of the stockholders of the Company, amend this Plan in any manner that requires such stockholder approval; provided further, that a Participant's Award will be governed by the version of this Plan then in effect at the time such Award was granted.

13.16 Nonexclusivity of the Plan. Neither the adoption of this Plan by the Board, the submission of this Plan to the stockholders of the Company for approval, nor any provision of this Plan will be construed as creating any limitations on the power of the Board to adopt such additional compensation arrangements as it may deem desirable, including the granting of stock awards and bonuses otherwise than under this Plan, and such arrangements may be either generally applicable or applicable only in specific cases.

13.17 Insider Trading Policy. Each Participant who receives an Award will comply with any policy adopted by the Company from time to time covering transactions in the Company's securities by Employees, officers and/or directors of the Company.

13.18 All Awards Subject to Company Clawback or Recoupment Policy. All Awards, subject to applicable law, will be subject to clawback or recoupment pursuant to any compensation clawback or recoupment policy adopted by the Board or required by law during the term of Participant's employment or other service with the Company that is applicable to executive officers, employees, directors or other service providers of the Company, and in addition to any other remedies available under such policy and applicable law, may require the cancellation of outstanding Awards and the recoupment of any gains realized with respect to Awards.

13.19 Electronic Delivery. Any reference herein to a "written" agreement or document will include any agreement or document delivered electronically, filed publicly at www.sec.gov (or any successor website thereto) or posted on the Company's intranet (or other shared electronic medium controlled by the Company to which the Participant has access).

NOTICE OF STOCK OPTION GRANT

APPFOLIO, INC.
2015 STOCK INCENTIVE PLAN

Unless otherwise defined herein, the terms defined in the AppFolio, Inc. (the "***Company***") 2015 Stock Incentive Plan (the "***Plan***") shall have the same meanings in this Notice of Stock Option Grant (the "***Notice of Grant***") and the attached Stock Option Agreement (the "***Option Agreement***"). You have been granted an Option to purchase shares of Class A Common Stock of the Company under the Plan subject to the terms and conditions of the Plan, this Notice of Grant and the attached Option Agreement.

Name:

Address:

Date of Grant:

Vesting Commencement Date:

Exercise price per Share:

Total Number of Shares:

Type of Option:	☐ Non-Qualified Stock Option
	☐ Incentive Stock Option
Expiration Date:	, 20 ; This Option expires earlier if your Service terminates earlier, as described in the Stock Option Agreement.
Vesting Schedule:	[**INSERT VESTING SCHEDULE**].
Additional Terms:	☐ If this box is checked, the additional terms and conditions set forth on Attachment 1 hereto (as executed by the Company) are applicable and are incorporated herein by reference. No document need be attached as Attachment 1 if the box is not checked.

By accepting this Option, you and the Company agree that this Option is granted under and governed by the terms and conditions of the Plan, the Notice of Grant and the Option Agreement. You acknowledge and agree that the Vesting Schedule may change prospectively in the event that your Service status changes between full and part-time status in accordance with Company policies relating to work schedules and vesting of awards. You further acknowledge that the grant of this Option by the Company is at the Company's sole discretion, and does not entitle you to further grant(s) of Option(s) or any other award(s) under the Plan or any other plan or program maintained by the Company or any Parent, Subsidiary or Affiliate of the Company. By accepting this Option, you consent to electronic delivery as set forth in the Option Agreement.

PARTICIPANT:

Signature: _____

Print Name: _____

APPFOLIO, INC.

By: _____

Name: _____

Its: _____

STOCK OPTION AGREEMENT

APPFOLIO, INC.
2015 STOCK INCENTIVE PLAN

STOCK OPTION AGREEMENT

APPFOLIO, INC.
2015 STOCK INCENTIVE PLAN

You have been granted an Option by AppFolio, Inc. (the "***Company***") under the 2015 Stock Incentive Plan (the "***Plan***") to purchase Shares (the "***Option***"), subject to the terms, restrictions and conditions of the Plan, the Notice of Stock Option Grant (the "***Notice of Grant***") and this Stock Option Agreement (the "***Agreement***").

1. Grant of Option. You have been granted an Option for the number of Shares set forth in the Notice of Grant at the exercise price per Share set forth in the Notice of Grant (the "***exercise price***"). In the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Agreement, the terms and conditions of the Plan shall prevail. If designated in the Notice of Grant as an Incentive Stock Option ("***ISO***"), this Option is intended to qualify as an Incentive Stock Option under Section 422 of the Code. However, if this Option is intended to be an ISO, to the extent that it exceeds the $100,000 rule of Code Section 422(d), it shall be treated as a Nonqualified Stock Option ("***NSO***").

2. Termination Period.

(a) General Rule. If your Service terminates for any reason except death or Disability, and other than for Cause, then this Option will expire at the close of business at Company headquarters on the date three (3) months after your termination of Service (subject to the expiration detailed in Section 6). If your Service is terminated for Cause, this Option will expire upon the date of such termination. The Company determines when your Service terminates for all purposes under this Agreement.

(b) Death; Disability. If you die before your Service terminates (or you die within three months of your termination of Service other than for Cause), then this Option will expire at the close of business at Company headquarters on the date twelve (12) months after the date of death (subject to the expiration detailed in Section 6). If your Service terminates because of your Disability, then this Option will expire at the close of business at Company headquarters on the date twelve (12) months after your termination date (subject to the expiration detailed in Section 6).

(c) No Notice. You are responsible for keeping track of these exercise periods following your termination of Service for any reason. The Company will not provide further notice of such periods. In no event shall this Option be exercised later than the Expiration Date set forth in the Notice of Grant.

3. Exercise of Option.

(a) Right to Exercise. This Option is exercisable during its term in accordance with the Vesting Schedule set forth in the Notice of Grant and the applicable provisions of the Plan and this Agreement. In the event of your death, Disability, or other cessation of Service, the exercisability of the Option is governed by the applicable provisions of the Plan, the Notice of Grant and this Agreement. This Option may not be exercised for a fraction of a Share.

(b) Method of Exercise. This Option is exercisable by delivery of an exercise notice in a form specified by the Company (the "***Exercise Notice***"), which shall state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised (the "***Exercised Shares***"), and such other representations and agreements as may be required by the Company pursuant to the provisions of the Plan. The Exercise Notice shall be delivered in person, by mail, via electronic mail or facsimile or by other authorized method to the Secretary of the Company or other person designated by the Company. The Exercise Notice shall be accompanied by payment of the aggregate exercise price as to all Exercised Shares. This Option shall be deemed to be exercised upon receipt by the Company of a fully executed Exercise Notice accompanied by the aggregate exercise price and any applicable tax withholding due upon exercise of the Option.

(c) Exercise by Another. If another person wants to exercise this Option after it has been transferred to him or her in compliance with this Agreement, that person must prove to the Company's satisfaction that he or she is entitled to exercise this Option. That person must also complete the proper Exercise Notice form (as described above) and pay the exercise price (as described below) and any applicable tax withholding due upon exercise of the Option (as described below).

4. Method of Payment. Payment of the aggregate exercise price shall be by any of the following, or a combination thereof, at your election:

(a) your personal check, wire transfer, or a cashier's check;

(b) certificates for shares of Company stock that you own, along with any forms needed to effect a transfer of those shares to the Company; the value of the shares, determined as of the effective date of the Option exercise, will be applied to the Option exercise price. Instead of surrendering shares of Company stock, you may attest to the ownership of those shares on a form provided by the Company and have the same number of shares subtracted from the Option shares issued to you. However, you may not surrender, or attest to the ownership of, shares of Company stock in payment of the exercise price of your Option if your action would cause the Company to recognize compensation expense (or additional compensation expense) with respect to this Option for financial reporting purposes;

(c) waiver of compensation due or accrued to you for your services rendered or to be rendered to the Company or a Parent or Subsidiary of the Company;

(d) cashless exercise through irrevocable directions to a securities broker approved by the Company to sell all or part of the Shares covered by this Option and to deliver to the Company from the sale proceeds an amount sufficient to pay the Option exercise price and any withholding taxes. The balance of the sale proceeds, if any, will be delivered to you. The directions must be given by signing a special notice of exercise form provided by the Company; or

(e) other method authorized by the Company.

5. Non-Transferability of Option. In general, except as provided below, only you may exercise this Option prior to your death. You may not transfer or assign this Option, except as provided below. For instance, you may not sell this Option or use it as security for a loan. If you attempt to do any of these things, this Option will immediately become invalid. You may, however, dispose of this Option in your will or in a beneficiary designation. However, if this Option is designated as a NSO in the Notice of Grant, then the Committee (as defined in the Plan) may, in its sole discretion, allow you to transfer this Option as a gift to one or more family members. For purposes of this Agreement, "family member" means a child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law (including adoptive relationships), any individual sharing your household (other than a tenant or employee), a trust in which one or more of

these individuals have more than 50% of the beneficial interest, a foundation in which you or one or more of these persons control the management of assets, and any entity in which you or one or more of these persons own more than 50% of the voting interest. In addition, if this Option is designated as a NSO in the Notice of Grant, then the Committee may, in its sole discretion, allow you to transfer this Option to your spouse or former spouse pursuant to a domestic relations order in settlement of marital property rights. The Committee will allow you to transfer this Option only if both you and the transferee(s) execute the forms prescribed by the Committee, which include the consent of the transferee(s) to be bound by this Agreement. This Option may not be transferred in any manner other than by will or by the laws of descent or distribution or court order and may be exercised during the lifetime of you only by you, your guardian, or legal representative, as permitted in the Plan. The terms of the Plan and this Agreement shall be binding upon the executors, administrators, heirs, successors and assigns of you.

6. Term of Option. This Option shall in any event expire on the expiration date set forth in the Notice of Grant, which date is ten (10) years after the grant date (five years after the grant date if this Option is designated as an ISO in the Notice of Grant and Section 4.4 of the Plan applies).

7. Tax Consequences. You should consult a tax adviser for tax consequences relating to this Option in the jurisdiction in which you are subject to tax. YOU SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THIS OPTION OR DISPOSING OF THE SHARES.

(a) Exercising the Option. You will not be allowed to exercise this Option unless you make arrangements acceptable to the Company to pay any withholding taxes that may be due as a result of the Option exercise.

(b) Notice of Disqualifying Disposition of ISO Shares. If you sell or otherwise dispose of any of the Shares acquired pursuant to an ISO on or before the later of (i) two years after the grant date, or (ii) one year after the exercise date, you shall immediately notify the Company in writing of such disposition. You agree that you may be subject to income tax withholding by the Company on the compensation income recognized from such early disposition of ISO Shares by payment in cash or out of the current compensation paid to you.

8. Withholding Taxes and Stock Withholding. Regardless of any action the Company or your actual employer (the "***Employer***") takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related withholding ("***Tax-Related Items***"), you acknowledge that the ultimate liability for all Tax-Related Items legally due by you is and remains your responsibility and that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Option grant, including the grant, vesting or exercise of the Option, the subsequent sale of Shares acquired pursuant to such exercise and the receipt of any dividends; and (2) do not commit to structure the terms of the grant or any aspect of the Option to reduce or eliminate your liability for Tax-Related Items. You acknowledge that if you are subject to Tax-Related Items in more than one jurisdiction, the Company and/or the Employer may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to exercise of the Option, you shall pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all withholding and payment on account obligations of the Company and/or the Employer. In this regard, you authorize the Company and/or the Employer to withhold all applicable Tax-Related Items legally payable by you from your wages or other cash

compensation paid to you by the Company and/or the Employer. With the Company's consent, these arrangements may also include, if permissible under local law, (a) withholding Shares that otherwise would be issued to you when you exercise this Option, provided that the Company only withholds the amount of Shares necessary to satisfy the minimum statutory withholding amount, (b) having the Company withhold taxes from the proceeds of the sale of the Shares, either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf and you hereby authorize such sales by this authorization), (c) your payment of a cash amount, or (d) any other arrangement approved by the Company; all under such rules as may be established by the Committee and in compliance with the Company's Insider Trading Policy and 10b5-1 Trading Plan Policy, if applicable; provided however, that if you are a Section 16 officer of the Company under the Exchange Act, then the Committee (as constituted in accordance with Rule 16b-3 under the Exchange Act) shall establish the method of withholding from alternatives (a)-(d) above, and the Committee shall establish the method prior to the Tax-Related Items withholding event. The Fair Market Value of these Shares, determined as of the effective date of the Option exercise, will be applied as a credit against the withholding taxes. You shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold as a result of your participation in the Plan or your purchase of Shares that cannot be satisfied by the means previously described. Finally, you acknowledge that the Company has no obligation to deliver Shares to you until you have satisfied the obligations in connection with the Tax-Related Items as described in this Section.

9. Acknowledgement. The Company and you agree that the Option is granted under and governed by the Notice of Grant, this Agreement and the provisions of the Plan (incorporated herein by reference). You: (a) acknowledge receipt of a copy of the Plan and the Plan prospectus, (b) represent that you have carefully read and are familiar with their provisions, and (c) hereby accept the Option subject to all of the terms and conditions set forth herein and those set forth in the Plan and the Notice of Grant. You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to the Plan, the Notice of Grant and the Agreement.

10. Consent to Electronic Delivery of All Plan Documents and Disclosures. By your acceptance of this Option, you consent to the electronic delivery of the Notice of Grant, this Agreement, the Plan, account statements, Plan prospectuses required by the Securities and Exchange Commission, U.S. financial reports of the Company, and all other documents that the Company is required to deliver to its security holders (including, without limitation, annual reports and proxy statements) or other communications or information related to the Option. Electronic delivery may include the delivery of a link to a Company intranet or the internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other delivery determined at the Company's discretion. You acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost if you contact the Company by telephone, through a postal service or electronic mail at [insert email]. You further acknowledge that you will be provided with a paper copy of any documents delivered electronically if electronic delivery fails; similarly, you understand that you must provide on request to the Company or any designated third party a paper copy of any documents delivered electronically if electronic delivery fails. Also, you understand that your consent may be revoked or changed, including any change in the electronic mail address to which documents are delivered (if you have provided an electronic mail address), at any time by notifying the Company of such revised or revoked consent by telephone, postal service or electronic mail at [insert email]. Finally, you understand that you are not required to consent to electronic delivery.

11. Compliance with Laws and Regulations. The exercise of this Option will be subject to and conditioned upon compliance by the Company and you with all applicable state, federal and foreign laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which the Company's Class A Common Stock may be listed or quoted at the time of such issuance or transfer. The Shares issued pursuant to this Agreement shall be endorsed with appropriate legends, if any, determined by the Company.

12. Governing Law; Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (a) such provision shall be excluded from this Agreement, (b) the balance of this Agreement shall be interpreted as if such provision were so excluded and (c) the balance of this Agreement shall be enforceable in accordance with its terms. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law. For purposes of litigating any dispute that may arise directly or indirectly from the Plan, the Notice and this Agreement, the parties hereby submit and consent to litigation in the exclusive jurisdiction of the State of California and agree that any such litigation shall be conducted only in the courts of California in Santa Barbara County or the federal courts of the United States for the Central District of California and no other courts.

13. No Rights as Employee, Director or Consultant. Nothing in this Agreement shall affect in any manner whatsoever the right or power of the Company, or a Parent, Subsidiary or Affiliate of the Company, to terminate your Service, for any reason, with or without Cause.

14. Adjustment. In the event of a stock split, a stock dividend or a similar change in Company stock, the number of Shares covered by this Option and the exercise price per Share may be adjusted pursuant to the Plan.

15. Lock-Up Agreement. In connection with the initial public offering of the Company's securities and upon request of the Company or the underwriters managing any underwritten offering of the Company's securities, you hereby agree not to sell, make any short sale of, loan, grant any Option for the purchase of, or otherwise dispose of any securities of the Company however and whenever acquired (other than those included in the registration) without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed one hundred eighty (180) days) from the effective date of such registration as may be requested by the Company or such managing underwriters and to execute an agreement reflecting the foregoing as may be requested by the underwriters at the time of the public offering; provided however that, if during the last seventeen (17) days of the restricted period the Company issues an earnings release or material news or a material event relating to the Company occurs, or prior to the expiration of the restricted period the Company announces that it will release earnings results during the sixteen (16)-day period beginning on the last day of the restricted period, then, upon the request of the managing underwriter, to the extent required by any FINRA rules, the restrictions imposed by this Section shall continue to apply until the end of the third trading day following the expiration of the fifteen (15)-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event. In no event will the restricted period extend beyond two hundred sixteen (216) days after the effective date of the registration statement.

16. Award Subject to Company Clawback or Recoupment. To the extent permitted by applicable law, the Option shall be subject to clawback or recoupment pursuant to any compensation clawback or recoupment policy adopted by the Board or required by law during the term of your employment or other Service that is applicable to you. In addition to any other remedies available under such policy, applicable law may require the cancellation of your Option (whether vested or unvested) and the recoupment of any gains realized with respect to your Option.

17. Entire Agreement; Enforcement of Rights. This Agreement, the Plan and the Notice constitute the entire agreement and understanding of the parties relating to the subject matter herein and supersede all prior discussions between them. Any prior agreements, commitments or negotiations concerning this Option are superseded. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing and signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

BY ACCEPTING THIS OPTION, YOU AGREE TO ALL OF THE TERMS AND CONDITIONS DESCRIBED ABOVE AND IN THE PLAN.

NOTICE OF RESTRICTED STOCK AWARD

APPFOLIO, INC.
2015 STOCK INCENTIVE PLAN

NOTICE OF RESTRICTED STOCK AWARD

APPFOLIO, INC.
2015 STOCK INCENTIVE PLAN

Unless otherwise defined herein, the terms defined in the AppFolio, Inc. (the "***Company***") 2015 Stock Incentive Plan (the "***Plan***") shall have the same meanings in this Notice of Restricted Stock Award (the "***Notice***") and the attached Restricted Stock Agreement (the "***Restricted Stock Agreement***"). You have been granted the opportunity to purchase Shares of the Company that are subject to restrictions (the "***Restricted Shares***") and the terms and conditions of the Plan, this Notice and the attached Restricted Stock Agreement.

Name:	
Address:	
Total Number of Restricted Shares Awarded:	
Fair Market Value per Restricted Share:	$
Total Fair Market Value of Award:	$
Purchase Price per Restricted Share:	$
Total Purchase Price for all Restricted Shares:	$
Date of Grant:	
Vesting Commencement Date:	
Vesting Schedule:	[**INSERT VESTING SCHEDULE**].
Additional Terms:	☐ If this box is checked, the additional terms and conditions set forth on Attachment 1 hereto (as executed by the Company) are applicable and are incorporated herein by reference. No document need be attached as Attachment 1 if the box is not checked.

You acknowledge that the vesting of the Restricted Shares pursuant to this Notice is earned only by continuing Service. By accepting the Restricted Shares, you and the Company agree that the Restricted Shares are granted under and governed by the terms and conditions of the Plan, the Notice and the Restricted Stock Agreement. You acknowledge and agree that the Vesting Schedule may change prospectively in the event that your Service status changes between full and part-time status in accordance with Company policies relating to work schedules and vesting of awards. You further acknowledge that the grant of the Restricted Shares by the Company is at the Company's sole discretion, and does not entitle you to further grant(s) of Restricted Shares or any other award(s) under the Plan or any other plan or program maintained by the Company or any Parent, Subsidiary or Affiliate of the Company. By accepting the Restricted Shares, you consent to electronic delivery as set forth in the Restricted Stock Agreement. If the Restricted Stock Agreement is not executed by you within thirty (30) days of the Company's delivery of this Agreement to you, then this grant shall be void.

PARTICIPANT:

Signature: _____

Print Name: _____

APPFOLIO, INC.

By: _____

Name: _____

Its: _____

RESTRICTED STOCK AGREEMENT

APPFOLIO, INC.
2015 STOCK INCENTIVE PLAN

RESTRICTED STOCK AGREEMENT

APPFOLIO, INC.
2015 STOCK INCENTIVE PLAN

THIS RESTRICTED STOCK AGREEMENT (this "***Agreement***") is made as of , 2015 by and between AppFolio, Inc., a Delaware corporation (the "***Company***"), and ("***you***") pursuant to the Company's 2015 Stock Incentive Plan (the "***Plan***"). Unless otherwise defined herein, the terms defined in the Plan shall have the same meanings in this Agreement.

1. Sale of Stock. Subject to the terms and conditions of this Agreement, on the Purchase Date (as defined below) the Company will issue and sell to you, and you agree to purchase from the Company, the number of Shares shown on the Notice of Restricted Stock Award (the "***Notice***") at a purchase price of $ per Share. The term "Shares" refers to the purchased Shares and all securities received in replacement of or in connection with the Shares pursuant to stock dividends or splits, all securities received in replacement of the Shares in a recapitalization, merger, reorganization, exchange or the like, and all new, substituted or additional securities or other properties to which you are entitled by reason of your ownership of the Shares.

2. Time and Place of Purchase. The purchase and sale of the Shares under this Agreement shall occur at the principal office of the Company simultaneously with the execution of this Agreement by the parties, or on such other date as the Company and you shall agree (the "***Purchase Date***"). On the Purchase Date, the Company will issue uncertificated shares designated for you in book entry form on the records of the Company's transfer agent, representing the Shares to be purchased by you against payment of the purchase price therefor by you by (a) check made payable to the Company, (b) cancellation of indebtedness of the Company to you, (c) your personal Services that the Committee has determined have already been or will be rendered to the Company, or (d) a combination of the foregoing.

3. Restrictions on Resale. By signing this Agreement, you agree not to sell any Shares acquired pursuant to the Plan and this Agreement at a time when applicable laws, regulations or Company or underwriter trading policies prohibit exercise or sale. This restriction will apply as long as you are providing Service to the Company or a Subsidiary of the Company.

3.1 Repurchase Right on Termination Other Than for Cause. For the purposes of this Agreement, a "***Repurchase Event***" shall mean an occurrence of one of the following:

(i) termination of your Service, whether voluntary or involuntary and with or without cause;

(ii) your resignation, retirement or death; or

(iii) any attempted transfer by you of the Shares, or any interest therein, in violation of this Agreement.

Upon the occurrence of a Repurchase Event, the Company shall have the right (but not an obligation) to purchase your Shares at a price equal to the Purchase Price per Share (the "***Repurchase Right***"). The Repurchase Right shall lapse in accordance with the vesting schedule set forth in the Notice of Restricted Stock Award. For purposes of this Agreement, "***Unvested Shares***" means Stock pursuant to which the Company's Repurchase Right has not lapsed.

3.2 Exercise of Repurchase Right. Unless the Company provides written notice to you within 90 days from the date of termination of your Service to the Company that the Company does not intend to exercise its Repurchase Right with respect to some or all of the Unvested Shares, the Repurchase Right shall be deemed automatically exercised by the Company as of the 90th day following such termination, provided that the Company may notify you that it is exercising its Repurchase Right as of a date prior to such 90th day. Unless you are otherwise notified by the Company pursuant to the preceding sentence that the Company does not intend to exercise its Repurchase Right as to some or all of the Unvested Shares, execution of this Agreement by you constitutes written notice to you of the Company's intention to exercise its Repurchase Right with respect to all Unvested Shares to which such Repurchase Right applies at the time of your termination of Service. The Company, at its choice, may satisfy its payment obligation to you with respect to exercise of the Repurchase Right by either (A) delivering a check to you in the amount of the purchase price for the Unvested Shares being repurchased, or (B) in the event you are indebted to the Company, canceling an amount of such indebtedness equal to the purchase price for the Unvested Shares being repurchased, or (C) by a combination of (A) and (B) so that the combined payment and cancellation of indebtedness equals such purchase price. In the event of any deemed automatic exercise of the Repurchase Right by canceling an amount of such indebtedness equal to the purchase price for the Unvested Shares being repurchased, such cancellation of indebtedness shall be deemed automatically to occur as of the 90th day following termination of your Service unless the Company otherwise satisfies its payment obligations. As a result of any repurchase of Unvested Shares pursuant to the Repurchase Right, the Company shall become the legal and beneficial owner of the Unvested Shares being repurchased and shall have all rights and interest therein or related thereto, and the Company shall have the right to transfer to its own name the number of Unvested Shares being repurchased by the Company, without further action by you.

3.3 Acceptance of Restrictions. Acceptance of the Shares shall constitute your agreement to such restrictions and the notation in the Company's direct registration system for stock issuance and transfer of such restrictions set forth in Section 4.1 with respect thereto. Notwithstanding such restrictions, however, so long as you are the holder of the Shares, or any portion thereof, he or she shall be entitled to receive all dividends declared on and to vote the Shares and to all other rights of a stockholder with respect thereto.

3.4 Non-Transferability of Unvested Shares. In addition to any other limitation on transfer created by applicable securities laws or any other agreement between the Company and you, you may not transfer any Unvested Shares, or any interest therein, unless consented to in writing by a duly authorized representative of the Company. Any purported transfer is void and of no effect, and no purported transferee thereof will be recognized as a holder of the Unvested Shares for any purpose whatsoever. Should such a transfer purport to occur, the Company may refuse to carry out the transfer on its books, set aside the transfer, or exercise any other legal or equitable remedy. In the event the Company consents to a transfer of Unvested Shares, all transferees of Shares or any interest therein will receive and hold such Shares or interest subject to the provisions of this Agreement, including, insofar as applicable, the Repurchase Right. In the event of any purchase by the Company hereunder where the Shares or interest are held by a transferee, the transferee shall be obligated, if requested by the Company, to transfer the Shares or interest you for consideration equal to the amount to be paid by the Company hereunder. In the event the Repurchase Right is deemed exercised by the Company, the Company may deem any transferee to have transferred the Shares or

interest to you prior to their purchase by the Company, and payment of the purchase price by the Company to such transferee shall be deemed to satisfy your obligation to pay such transferee for such Shares or interest, and also to satisfy the Company's obligation to pay you for such Shares or interest.

3.5 Assignment. The Repurchase Right may be assigned by the Company in whole or in part to any persons or organization.

4. Stop Transfer Orders.

4.1 Stop-Transfer Notices. You agree that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

4.2 Refusal to Transfer. The Company shall not be required (a) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (b) to treat as the owner or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred.

5. No Rights as Employee, Director or Consultant. Nothing in this Agreement shall affect in any manner whatsoever the right or power of the Company, or a Parent, Subsidiary or Affiliate of the Company, to terminate your Service, for any reason, with or without Cause.

6. Miscellaneous.

6.1 Acknowledgement. The Company and you agree that the Restricted Shares are granted under and governed by the Notice, this Agreement and the provisions of the Plan (incorporated herein by reference). You: (a) acknowledge receipt of a copy of the Plan and the Plan prospectus, (b) represent that you have carefully read and are familiar with their provisions, and (c) hereby accept the Restricted Shares subject to all of the terms and conditions set forth herein and those set forth in the Plan and the Notice. You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to the Plan, the Notice and the Restricted Stock Agreement.

6.2 Entire Agreement; Enforcement of Rights. This Agreement, the Plan and the Notice constitute the entire agreement and understanding of the parties relating to the subject matter herein and supersede all prior discussions between them. Any prior agreements, commitments or negotiations concerning the purchase of the Shares hereunder are superseded. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing and signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

6.3 Compliance with Laws and Regulations. The issuance of Shares will be subject to and conditioned upon compliance by the Company and you with all applicable state, federal and foreign laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which the Company's Class A Common Stock may be listed or quoted at the time of such issuance or transfer. The Shares issued pursuant to this Agreement shall be endorsed with appropriate legends, if any, determined by the Company.

6.4 Governing Law; Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (a) such provision shall be excluded from this Agreement, (b) the balance of this Agreement shall be interpreted as if such provision were so excluded and (c) the balance of this Agreement shall be enforceable in accordance with its terms. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law. For purposes of litigating any dispute that may arise directly or indirectly from the Plan, the Notice and this Agreement, the parties hereby submit and consent to litigation in the exclusive jurisdiction of the State of California and agree that any such litigation shall be conducted only in the courts of California in Santa Barbra County or the federal courts of the United States for the Central District of California and no other courts.

6.5 Construction. This Agreement is the result of negotiations between and has been reviewed by each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

6.6 Notices. Any notice to be given under the terms of the Plan shall be addressed to the Company in care of its principal office, and any notice to be given to you shall be addressed to you at the address maintained by the Company for such person or at such other address as you may specify in writing to the Company.

6.7 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall he deemed an original and all of which together shall constitute one instrument.

6.8 U.S. Tax Consequences. Unless an Election (defined below) is made, upon vesting of Shares, you will include in taxable income the difference between the fair market value of the vesting Shares, as determined on the date of their vesting, and the price paid for the Shares. This will be treated as ordinary income by you and will be subject to withholding by the Company when required by applicable law. In the absence of an Election, the Company shall satisfy the withholding requirements as set forth in Section 7 below. If you make an Election, then you must, prior to making the Election, pay in cash (or check) to the Company an amount equal to the amount the Company is required to withhold for income and employment taxes.

7. Withholding Taxes and Stock Withholding. Regardless of any action the Company or your actual employer (the "***Employer***") takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related withholding ("***Tax-Related Items***"), you acknowledge that the ultimate liability for all Tax-Related Items legally due by you is and remains your responsibility and that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Shares received under this award, including the award or vesting of such Shares, the subsequent sale of Shares under this award and the receipt of any dividends; and (2) do not commit to structure the terms of the award or any aspect of the Restricted Shares to reduce or eliminate your liability for Tax-Related Items. You acknowledge that if you are subject to Tax-Related Items in more than one jurisdiction, the Company and/or the Employer may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

The Company will only recognize you as a record holder of Shares if you have paid or made adequate arrangements satisfactory to the Company and/or the Employer to satisfy all withholding and payment on account obligations of the Company and/or the Employer. In this regard, you authorize the Company and/or the Employer to withhold all applicable Tax-Related Items legally payable by you from your wages or other cash compensation paid to you by the Company and/or the Employer. With the Company's consent, these arrangements may also include, if permissible under local law, (a) withholding Shares that otherwise would be released from the Repurchase Right when they vest, provided that the Company only withholds the amount of Shares necessary to satisfy the minimum statutory withholding amount, (b) having the Company withhold taxes from the proceeds of the sale of the Shares, either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf and you hereby authorize such sales by this authorization), (c) your payment of a cash amount, or (d) any other arrangement approved by the Company; all under such rules as may be established by the Committee and in compliance with the Company's Insider Trading Policy and 10b5-1 Trading Plan Policy, if applicable; provided however, that if you are a Section 16 officer of the Company under the Exchange Act, then the Committee (as constituted in accordance with Rule 16b-3 under the Exchange Act) shall establish the method of withholding from alternatives (a)-(d) above, and the Committee shall establish the method prior to the Tax-Related Items withholding event. The Fair Market Value of these Shares, determined as of the effective date when taxes otherwise would have been withheld in cash, will be applied as a credit against the withholding taxes. You shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold as a result of your participation in the Plan or your purchase of Shares that cannot be satisfied by the means previously described. Finally, you acknowledge that the Company has no obligation to deliver Shares to you until you have satisfied the obligations in connection with the Tax-Related Items as described in this Section.

8. Section 83(b) Election. You hereby acknowledge that you have been informed that, with respect to the purchase of the Shares, an election may be filed by you with the Internal Revenue Service, within 30 days of the purchase of the Shares, electing pursuant to Section 83(b) of the Code to be taxed currently on any difference between the purchase price of the Shares and their Fair Market Value on the date of purchase (the "***Election***"). Making the Election will result in recognition of taxable income to you on the date of purchase, measured by the excess, if any, of the Fair Market Value of the Shares over the purchase price for the Shares. Absent such an Election, taxable income will be measured and recognized by you at the time or times on which the Company's Repurchase Right lapses. You are strongly encouraged to seek the advice of his or her own tax consultants in connection with the purchase of the Shares and the advisability of filing of the Election. YOU ACKNOWLEDGE THAT IT IS SOLELY YOUR RESPONSIBILITY, AND NOT THE COMPANY'S RESPONSIBILITY, TO TIMELY FILE THE ELECTION UNDER SECTION 83(b) OF THE CODE, EVEN IF YOU REQUEST THE COMPANY, OR ITS REPRESENTATIVE, TO MAKE THIS FILING ON YOUR BEHALF.

9. Consent to Electronic Delivery of All Plan Documents and Disclosures. By acceptance of this Restricted Stock Award, you consent to the electronic delivery of the Notice, this Agreement, the Plan, account statements, Plan prospectuses required by the Securities and Exchange Commission, U.S. financial reports of the Company, and all other documents that the Company is required to deliver to its security holders (including, without limitation, annual reports and proxy statements) or other communications or information related to the Restricted Stock Award. Electronic delivery may include the delivery of a link to a Company intranet or the internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other delivery determined at the Company's discretion. You acknowledge that you may receive from the

Company a paper copy of any documents delivered electronically at no cost if you contact the Company by telephone, through a postal service or electronic mail at [insert email]. You further acknowledge that you will be provided with a paper copy of any documents delivered electronically if electronic delivery fails; similarly, you understand that you must provide on request to the Company or any designated third party a paper copy of any documents delivered electronically if electronic delivery fails. Also, you understand that your consent may be revoked or changed, including any change in the electronic mail address to which documents are delivered (if you have provided an electronic mail address), at any time by notifying the Company of such revised or revoked consent by telephone, postal service or electronic mail at [insert email]. Finally, you understand that you are not required to consent to electronic delivery.

10. Adjustment. In the event of a stock split, a stock dividend or a similar change in Company stock, the number of Shares covered by the Restricted Stock Award and the purchase price per share may be adjusted pursuant to the Plan.

11. Award Subject to Company Clawback or Recoupment. To the extent permitted by applicable law, the Shares shall be subject to clawback or recoupment pursuant to any compensation clawback or recoupment policy adopted by the Board or required by law during the term of your employment or other Service with the Company that is applicable to you. In addition to any other remedies available under such policy, applicable law may require the cancellation of your Shares (whether vested or unvested) and the recoupment of any gains realized with respect to your Shares.

BY ACCEPTING THIS RESTRICTED STOCK AWARD, YOU AGREE TO ALL OF THE TERMS AND CONDITIONS DESCRIBED ABOVE AND IN THE PLAN.

The parties have executed this Agreement as of the date first set forth above.

APPFOLIO, INC.

By: _____
Name: _____
Its: _____

RECIPIENT:

Signature: _____
Print Name: _____

RECEIPT

AppFolio, Inc. hereby acknowledges receipt of (check as applicable):

☐ A check or wire transfer in the amount of $

☐ The cancellation of indebtedness in the amount of $

☐ Given by as consideration for the book entry in your name for shares of Class A Common Stock of AppFolio, Inc.

☐ Other method as permitted by the Plan and specifically approved by the Board or Committee, and described here:

Dated:

APPFOLIO, INC.

By: _____
Print Name: _____
Its: _____

NOTICE OF PERFORMANCE SHARES AWARD

APPFOLIO, INC.
2015 STOCK INCENTIVE PLAN

NOTICE OF PERFORMANCE SHARES AWARD

APPFOLIO, INC.
2015 STOCK INCENTIVE PLAN

Unless otherwise defined herein, the terms defined in the AppFolio, Inc. (the "***Company***") 2015 Stock Incentive Plan (the "***Plan***") shall have the same meanings in this Notice of Performance Shares Award (the "***Notice***") and the attached Performance Shares Award Agreement (the "***Performance Shares Agreement***"). You have been granted an award of Performance Shares (the "***Performance Shares Award***") under the Plan subject to the terms and conditions of the Plan, this Notice and the attached Performance Shares Agreement.

Name:

Address:

Number of Shares:

Date of Grant:

Fair Market Value on Date of Grant:

Vesting Commencement Date:

Vesting Schedule: Subject to the limitations set forth in this Notice, the Plan and the Performance Shares Agreement, the Shares will vest in accordance with the following schedule: [**INSERT VESTING SCHEDULE**].

You acknowledge that the vesting of the Performance Shares Award pursuant to this Notice is earned only by continuing Service. By accepting the Performance Shares Award, you and the Company agree that the Performance Shares Award is granted under and governed by the terms and conditions of the Plan, the Notice and the Performance Shares Agreement. You acknowledge and agree that the Vesting Schedule may change prospectively in the event that your service status changes between full and part-time status in accordance with Company policies relating to work schedules and vesting of awards. You further acknowledge that the grant of this Performance Shares Award by the Company is at the Company's sole discretion, and does not entitle you to further grant(s) of Performance Share Award(s) or any other award(s) under the Plan or any other plan or program maintained by the Company or any Parent, Subsidiary or Affiliate of the Company. By accepting the Performance Shares Award, you consent to electronic delivery as set forth in the Performance Shares Agreement.

PARTICIPANT:

Signature: _____

Print Name: _____

APPFOLIO, INC.

By: _____

Name: _____

Its: _____

PERFORMANCE SHARES AGREEMENT

APPFOLIO, INC.
2015 STOCK INCENTIVE PLAN

PERFORMANCE SHARES AGREEMENT

APPFOLIO, INC.
2015 STOCK INCENTIVE PLAN

You have been granted a Performance Shares Award ("***Performance Shares Award***") by AppFolio, Inc. (the "***Company***"), subject to the terms, restrictions and conditions of the Plan, the Notice of Performance Shares Award ("***Notice***") and this Performance Shares Agreement (this "***Agreement***").

1. Settlement. Your Performance Shares Award shall be settled in Shares and the Company's transfer agent shall record ownership of such Shares in your name as soon as reasonably practicable after achievement of the Performance Factors enumerated in the Notice.

2. No Stockholder Rights. Unless and until you are recorded as the holder of such Shares on the stock records of the Company and its transfer agent, you shall have no right to dividends or to vote Shares.

3. No-Transfer. Your interest in this Performance Shares Award shall not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of.

4. Termination. If your Service terminates for any reason, all of your rights under the Plan, this Agreement and the Notice in respect of this Award shall immediately terminate. In case of any dispute as to whether a termination of Service has occurred, the Committee shall have sole discretion to determine whether such termination has occurred and the effective date of such termination.

5. Construction. This Agreement is the result of negotiations between and has been reviewed by each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

6. Notices. Any notice to be given under the terms of the Plan shall be addressed to the Company in care of its principal office, and any notice to be given to you shall be addressed to you at the address maintained by the Company for such person or at such other address as you may specify in writing to the Company.

7. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall he deemed an original and all of which together shall constitute one instrument.

8. Tax Consequences. YOU SHOULD CONSULT A TAX ADVISER BEFORE ACQUIRING THE SHARES IN THE JURISDICTION IN WHICH HE OR SHE IS SUBJECT TO TAX. Shares shall not be issued under this Agreement unless you make arrangements acceptable to the Company to pay any withholding taxes that may be due as a result of the acquisition or vesting of Shares.

(a) U.S. Tax Consequences. Upon vesting of Shares, you will include in taxable income the difference between the fair market value of the vesting Shares, as determined on the date of their vesting. This will be treated as ordinary income by you and will be subject to withholding by the Company when required by applicable law. The Company shall satisfy the withholding requirements as set forth in Section 9 below.

9. Withholding Taxes and Stock Withholding. Regardless of any action the Company or your actual employer (the "***Employer***") takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related withholding ("***Tax-Related Items***"), you acknowledge that the ultimate liability for all Tax-Related Items legally due by you is and remains your responsibility and that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the award, including the award or vesting of such Shares, the subsequent sale of Shares under this award and the receipt of any dividends; and (2) do not commit to structure the terms of the award to reduce or eliminate your liability for Tax-Related Items. You acknowledge that if you are subject to Tax-Related Items in more than one jurisdiction, the Company and/or the Employer may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

The Company will only recognize you as a record holder of Shares if you have paid or made adequate arrangements satisfactory to the Company and/or the Employer to satisfy all withholding and payment on account obligations of the Company and/or the Employer. In this regard, you authorize the Company and/or the Employer to withhold all applicable Tax-Related Items legally payable by you from your wages or other cash compensation paid to you by the Company and/or the Employer. With the Company's consent, these arrangements may also include, if permissible under local law, (a) withholding Shares that otherwise would be issued to you when they vest, provided that the Company only withholds the amount of Shares necessary to satisfy the minimum statutory withholding amount, (b) having the Company withhold taxes from the proceeds of the sale of the Shares, either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf and you hereby authorize such sales by this authorization), (c) your payment of a cash amount, or (d) any other arrangement approved by the Company; all under such rules as may be established by the Committee and in compliance with the Company's Insider Trading Policy and 10b5-1 Trading Plan Policy, if applicable; provided however, that if you are a Section 16 officer of the Company under the Exchange Act, then the Committee (as constituted in accordance with Rule 16b-3 under the Exchange Act) shall establish the method of withholding from alternatives (a)-(d) above, and the Committee shall establish the method prior to the Tax-Related Items withholding event. The Fair Market Value of these Shares, determined as of the effective date when taxes otherwise would have been withheld in cash, will be applied as a credit against the withholding taxes. You shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold as a result of your participation in the Plan or your purchase of Shares that cannot be satisfied by the means previously described. Finally, you acknowledge that the Company has no obligation to deliver Shares to you until you have satisfied the obligations in connection with the Tax-Related Items as described in this Section.

10. Acknowledgement. The Company and you agree that the Performance Shares Award is granted under and governed by the Notice, this Agreement and the provisions of the Plan (incorporated herein by reference). You: (a) acknowledge receipt of a copy of the Plan and the Plan prospectus, (b) represent that you have carefully read and are familiar with their provisions, and (c) hereby accept the Performance Shares Award subject to all of the terms and conditions set forth herein and those set forth in the Plan and the Notice. You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to the Plan, the Notice and this Agreement.

11. Entire Agreement; Enforcement of Rights. This Agreement, the Plan and the Notice constitute the entire agreement and understanding of the parties relating to the subject matter herein and supersede all prior discussions between them. Any prior agreements, commitments or

negotiations concerning the purchase of the Shares hereunder are superseded. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing and signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

12. Compliance with Laws and Regulations. The issuance of Shares will be subject to and conditioned upon compliance by the Company and you with all applicable state, federal and foreign laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which the Company's Class A Common Stock may be listed or quoted at the time of such issuance or transfer. The Shares issued pursuant to this Agreement shall be endorsed with appropriate legends, if any, determined by the Company.

13. Governing Law; Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (a) such provision shall be excluded from this Agreement, (b) the balance of this Agreement shall be interpreted as if such provision were so excluded and (c) the balance of this Agreement shall be enforceable in accordance with its terms. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law. For purposes of litigating any dispute that may arise directly or indirectly from the Plan, the Notice and this Agreement, the parties hereby submit and consent to litigation in the exclusive jurisdiction of the State of California and agree that any such litigation shall be conducted only in the courts of California in Santa Barbra County or the federal courts of the United States for the Central District of California and no other courts.

14. No Rights as Employee, Director or Consultant. Nothing in this Agreement shall affect in any manner whatsoever the right or power of the Company, or a Parent, Subsidiary or Affiliate of the Company, to terminate your Service, for any reason, with or without Cause.

15. Consent to Electronic Delivery of All Plan Documents and Disclosures. By acceptance of this Performance Shares Award, you consent to the electronic delivery of the Notice, this Agreement, the Plan, account statements, Plan prospectuses required by the Securities and Exchange Commission, U.S. financial reports of the Company, and all other documents that the Company is required to deliver to its security holders (including, without limitation, annual reports and proxy statements) or other communications or information related to the Performance Shares Award. Electronic delivery may include the delivery of a link to a Company intranet or the internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other delivery determined at the Company's discretion. You acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost if you contact the Company by telephone, through a postal service or electronic mail at [insert email]. You further acknowledge that you will be provided with a paper copy of any documents delivered electronically if electronic delivery fails; similarly, you understand that you must provide on request to the Company or any designated third party a paper copy of any documents delivered electronically if electronic delivery fails. Also, you understand that your consent may be revoked or changed, including any change in the electronic mail address to which documents are delivered (if you have provided an electronic mail address), at any time by notifying the Company of such revised or revoked consent by telephone, postal service or electronic mail at [insert email]. Finally, you understand that you are not required to consent to electronic delivery.

16. Adjustment. In the event of a stock split, a stock dividend or a similar change in Company stock, the number of Shares covered by the Performance Shares Award may be adjusted pursuant to the Plan.

17. Award Subject to Company Clawback or Recoupment. To the extent permitted by applicable law, Performance Shares Award shall be subject to clawback or recoupment pursuant to any compensation clawback or recoupment policy adopted by the Board or required by law during the term of your employment or other Service with the Company that is applicable to you. In addition to any other remedies available under such policy, applicable law may require the cancellation of your Performance Shares Award (whether vested or unvested) and the recoupment of any gains realized with respect to your Performance Shares Award.

BY ACCEPTING THE PERFORMANCE SHARES AWARD, YOU AGREE TO ALL OF THE TERMS AND CONDITIONS DESCRIBED ABOVE AND IN THE PLAN.

NOTICE OF STOCK BONUS AWARD

APPFOLIO, INC.
2015 STOCK INCENTIVE PLAN

NOTICE OF STOCK BONUS AWARD

APPFOLIO, INC.
2015 STOCK INCENTIVE PLAN

Unless otherwise defined herein, the terms defined in the AppFolio, Inc. (the "***Company***") 2015 Stock Incentive Plan (the "***Plan***") shall have the same meanings in this Notice of Stock Bonus Award (the "***Notice***") and the attached Stock Bonus Award Agreement (the "***Stock Bonus Agreement***"). You have been granted an award of Shares under the Plan (the "***Stock Bonus Award***") subject to the terms and conditions of the Plan, this Notice and the attached Stock Bonus Agreement.

Name:

Address:

Number of Shares:

Date of Grant:

Vesting Commencement Date: [**INSERT DATE HERE**].

Vesting Schedule: [**INSERT VESTING SCHEDULE HERE**].

You acknowledge that the vesting of the Shares pursuant to this Notice is earned only by continuing Service. By accepting this Stock Bonus Award, you and the Company agree that this Stock Bonus Award is granted under and governed by the terms and conditions of the Plan, the Notice and the Stock Bonus Agreement. You acknowledge and agree that the Vesting Schedule may change prospectively in the event that your Service status changes between full and part-time status in accordance with Company policies relating to work schedules and vesting of awards. You further acknowledge that the grant of this Stock Bonus Award by the Company is at the Company's sole discretion, and does not entitle you to further grant(s) of Stock Bonus Award(s) or any other award(s) under the Plan or any other plan or program maintained by the Company or any Parent, Subsidiary or affiliate of the Company. By accepting this Stock Bonus Award, you consent to electronic delivery as set forth in the Stock Bonus Agreement.

PARTICIPANT:

Signature: _____

Print Name: _____

APPFOLIO, INC.

By: _____

Name: _____

Its: _____

STOCK BONUS AWARD AGREEMENT

APPFOLIO, INC.
2015 STOCK INCENTIVE PLAN

STOCK BONUS AWARD AGREEMENT

APPFOLIO, INC.
2015 STOCK INCENTIVE PLAN

You have been granted a Stock Bonus Award ("***Stock Bonus Award***") by AppFolio, Inc. (the "***Company***"), subject to the terms, restrictions and conditions of the Plan, the Notice of Stock Bonus Award (the "***Notice***") and this Stock Bonus Award Agreement (this "***Agreement***").

1. Issuance. Your Stock Bonus Award shall be issued in Shares, and the Company's transfer agent shall record ownership of such Shares in your name as soon as reasonably practicable.

2. No Stockholder Rights. Unless and until you are recorded as the holder of such Shares on the stock records of the Company and its transfer agent, you shall have no right to dividends or to vote Shares.

3. No Transfer. In addition to any other limitation on transfer created by applicable securities laws or any other agreement between the Company and you, you may not transfer any Unvested Shares, or any interest therein, unless consented to in writing by a duly authorized representative of the Company. Any purported transfer is void and of no effect, and no purported transferee thereof will be recognized as a holder of the Unvested Shares for any purpose whatsoever. Should such a transfer purport to occur, the Company may refuse to carry out the transfer on its books, set aside the transfer, or exercise any other legal or equitable remedy. In the event the Company consents to a transfer of Unvested Shares, all transferees of Shares or any interest therein will receive and hold such Shares or interest subject to the provisions of this Agreement. "***Unvested Shares***" are Shares that have not yet vested pursuant to the terms of the vesting schedule set forth in the Notice.

4. Termination. If your Service terminates for any reason, all Unvested Shares shall immediately be forfeited to the Company, and all rights you have to such Unvested Shares shall immediately terminate. In case of any dispute as to whether a termination of Service has occurred, the Committee shall have sole discretion to determine whether such termination has occurred and the effective date of such termination.

5. Construction. This Agreement is the result of negotiations between and has been reviewed by each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

6. Notices. Any notice to be given under the terms of the Plan shall be addressed to the Company in care of its principal office, and any notice to be given to you shall be addressed to you at the address maintained by the Company for such person or at such other address as you may specify in writing to the Company.

7. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall he deemed an original and all of which together shall constitute one instrument.

8. Tax Consequences. YOU SHOULD CONSULT A TAX ADVISER BEFORE ACQUIRING THE SHARES IN THE JURISDICTION IN WHICH YOU ARE SUBJECT TO TAX. Shares shall not be issued under this Agreement unless you make arrangements acceptable to the Company to pay any withholding taxes that may be due as a result of the acquisition or vesting of Shares.

(a) U.S. Tax Consequences. Upon vesting of Shares, you will include in taxable income the difference between the fair market value of the vesting Shares, as determined on the date of their vesting. This will be treated as ordinary income by you and will be subject to withholding by the Company when required by applicable law. The Company shall satisfy the withholding requirements as set forth in Section 9 below.

9. Withholding Taxes and Stock Withholding. Regardless of any action the Company or your actual employer (the "***Employer***") takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related withholding ("***Tax-Related Items***"), you acknowledge that the ultimate liability for all Tax-Related Items legally due by you is and remains your responsibility and that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the award, including the award or vesting of such Shares, the subsequent sale of Shares under this award and the receipt of any dividends; and (2) do not commit to structure the terms of the award to reduce or eliminate your liability for Tax-Related Items. You acknowledge that if you are subject to Tax-Related Items in more than one jurisdiction, the Company and/or the Employer may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

The Company will only recognize you as a record holder of Shares if you have paid or made adequate arrangements satisfactory to the Company and/or the Employer to satisfy all withholding and payment on account obligations of the Company and/or the Employer. In this regard, you authorize the Company and/or the Employer to withhold all applicable Tax-Related Items legally payable by you from your wages or other cash compensation paid to you by the Company and/or the Employer. With the Company's consent, these arrangements may also include, if permissible under local law, (a) withholding Shares that otherwise would be released when they vest, provided that the Company only withholds the amount of Shares necessary to satisfy the minimum statutory withholding amount, (b) having the Company withhold taxes from the proceeds of the sale of the Shares, either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf and you hereby authorize such sales by this authorization), (c) your payment of a cash amount, or (d) any other arrangement approved by the Company; all under such rules as may be established by the Committee and in compliance with the Company's Insider Trading Policy and 10b5-1 Trading Plan Policy, if applicable; provided however, that if you are a Section 16 officer of the Company under the Exchange Act, then the Committee (as constituted in accordance with Rule 16b-3 under the Exchange Act) shall establish the method of withholding from alternatives (a)-(d) above, and the Committee shall establish the method prior to the Tax-Related Items withholding event. The Fair Market Value of these Shares, determined as of the effective date when taxes otherwise would have been withheld in cash, will be applied as a credit against the withholding taxes. You shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold as a result of your participation in the Plan or your purchase of Shares that cannot be satisfied by the means previously described. Finally, you acknowledge that the Company has no obligation to deliver Shares to you until you have satisfied the obligations in connection with the Tax-Related Items as described in this Section.

10. Acknowledgement. The Company and you agree that the Stock Bonus Award is granted under and governed by the Notice, this Agreement and the provisions of the Plan (incorporated herein by reference). You: (a) acknowledge receipt of a copy of the Plan and the Plan prospectus,

(b) represent that you have carefully read and are familiar with their provisions, and (c) hereby accept the Stock Bonus Award subject to all of the terms and conditions set forth herein and those set forth in the Plan and the Notice. You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to the Plan, the Notice and the Stock Bonus Award.

11. Entire Agreement; Enforcement of Rights. This Agreement, the Plan and the Notice constitute the entire agreement and understanding of the parties relating to the subject matter herein and supersede all prior discussions between them. Any prior agreements, commitments or negotiations concerning the purchase of the Shares hereunder are superseded. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing and signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

12. Compliance with Laws and Regulations. The issuance of Shares will be subject to and conditioned upon compliance by the Company and you with all applicable state, federal and foreign laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which the Company's Class A Common Stock may be listed or quoted at the time of such issuance or transfer. The Shares issued pursuant to this Agreement shall be endorsed with appropriate legends, if any, determined by the Company.

13. Governing Law; Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (a) such provision shall be excluded from this Agreement, (b) the balance of this Agreement shall be interpreted as if such provision were so excluded and (c) the balance of this Agreement shall be enforceable in accordance with its terms. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law. For purposes of litigating any dispute that may arise directly or indirectly from the Plan, the Notice and this Agreement, the parties hereby submit and consent to litigation in the exclusive jurisdiction of the State of California and agree that any such litigation shall be conducted only in the courts of California in Santa Barbra County or the federal courts of the United States for the Central District of California and no other courts.

14. No Rights as Employee, Director or Consultant. Nothing in this Agreement shall affect in any manner whatsoever the right or power of the Company, or a Parent, Subsidiary or Affiliate of the Company, to terminate your Service, for any reason, with or without Cause.

15. Consent to Electronic Delivery of All Plan Documents and Disclosures. By acceptance of this Stock Bonus Award, you consent to the electronic delivery of the Notice, this Agreement, the Plan, account statements, Plan prospectuses required by the Securities and Exchange Commission, U.S. financial reports of the Company, and all other documents that the Company is required to deliver to its security holders (including, without limitation, annual reports and proxy statements) or other communications or information related to the Stock Bonus Award. Electronic delivery may include the delivery of a link to a Company intranet or the internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other delivery determined at the Company's discretion. You acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost if you contact the Company by telephone,

through a postal service or electronic mail at [insert email]. You further acknowledge that you will be provided with a paper copy of any documents delivered electronically if electronic delivery fails; similarly, you understand that you must provide on request to the Company or any designated third party a paper copy of any documents delivered electronically if electronic delivery fails. Also, you understand that your consent may be revoked or changed, including any change in the electronic mail address to which documents are delivered (if you have provided an electronic mail address), at any time by notifying the Company of such revised or revoked consent by telephone, postal service or electronic mail at [insert email]. Finally, you understand that you are not required to consent to electronic delivery.

16. Adjustment. In the event of a stock split, a stock dividend or a similar change in Company stock, the number of Shares covered by the Stock Bonus Award may be adjusted pursuant to the Plan.

17. Award Subject to Company Clawback or Recoupment. To the extent permitted by applicable law, the Stock Bonus Award shall be subject to clawback or recoupment pursuant to any compensation clawback or recoupment policy adopted by the Board or required by law during the term of your employment or other Service with the Company that is applicable to you. In addition to any other remedies available under such policy, applicable law may require the cancellation of your Stock Bonus Award (whether vested or unvested) and the recoupment of any gains realized with respect to your Stock Bonus Award.

BY ACCEPTING THE STOCK BONUS AWARD, YOU AGREE TO ALL OF THE TERMS AND CONDITIONS DESCRIBED ABOVE AND IN THE PLAN.

NOTICE OF STOCK APPRECIATION RIGHT AWARD

APPFOLIO, INC.
2015 STOCK INCENTIVE PLAN

NOTICE OF STOCK APPRECIATION RIGHT AWARD

APPFOLIO, INC.
2015 STOCK INCENTIVE PLAN

Unless otherwise defined herein, the terms defined in the AppFolio, Inc. (the "***Company***") 2015 Stock Incentive Plan (the "***Plan***") shall have the same meanings in this Notice of Stock Appreciation Right Award (the "***Notice of Grant***") and the attached Stock Appreciation Right Agreement (the "***SAR Agreement***"). You have been granted an award of Stock Appreciation Rights (the "***SAR***") of the Company under the Plan subject to the terms and conditions of the Plan, this Notice of Grant and the SAR Agreement.

Name:

Address:

Date of Grant:

Vesting Commencement Date:

Fair Market Value on Date of Grant:

Total Number of Shares:

Expiration Date:

Vesting Schedule: [**INSERT VESTING SCHEDULE**].

You acknowledge that the vesting of the SAR pursuant to this Notice of Grant is earned only by continuing Service. By accepting the SAR, you and the Company agree that the SAR is granted under and governed by the terms and conditions of the Plan, the Notice of Grant and the SAR Agreement. You acknowledge and agree that the Vesting Schedule may change prospectively in the event that your Service status changes between full and part-time status in accordance with Company policies relating to work schedules and vesting of awards. You further acknowledge that the grant of this SAR by the Company is at the Company's sole discretion, and does not entitle you to further grant(s) of SAR(s) or any other award(s) under the Plan or any other plan or program maintained by the Company or any Parent, Subsidiary or Affiliate of the Company. By accepting the SAR, you consent to electronic delivery as set forth in the SAR Agreement.

PARTICIPANT:

Signature: _____

Print Name: _____

APPFOLIO, INC.

By: _____

Name: _____

Its: _____

STOCK APPRECIATION RIGHT AWARD AGREEMENT

APPFOLIO, INC.
2015 STOCK INCENTIVE PLAN

STOCK APPRECIATION RIGHT AWARD AGREEMENT

APPFOLIO, INC.
2015 STOCK INCENTIVE PLAN

You have been granted an award of Stock Appreciation Rights (the "***SAR***") by AppFolio, Inc. (the "***Company***") under the 2015 Stock Incentive Plan (the "***Plan***"), subject to the terms and conditions of the Plan, the Notice of Stock Appreciation Right Award (the "***Notice of Grant***") and this Stock Appreciation Right Agreement (the "***Agreement***").

1. Grant of SAR. You have been granted a SAR for the number of Shares set forth in the Notice of Grant at the fair market value set forth in the Notice of Grant. In the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Agreement, the terms and conditions of the Plan shall prevail.

2. Termination Period.

(a) General Rule. If your Service terminates for any reason except death or Disability, and other than for Cause, then this SAR will expire at the close of business at Company headquarters on the date three (3) months after your termination of Service (subject to the expiration detailed in Section 6). In no event shall this SAR be exercised later than the Expiration Date set forth in the Notice of Grant. If your Service is terminated for Cause, this SAR will expire upon the date of such termination. The Company determines when your Service terminates for all purposes under this Agreement.

(b) Death; Disability. If you die before your Service terminates (or you die within three (3) months of your termination of Service to the Company other than for Cause), then this SAR will expire at the close of business at Company headquarters on the date twelve (12) months after the date of death (subject to the expiration detailed in Section 6). If your Service terminates because of your Disability, then this SAR will expire at the close of business at Company headquarters on the date twelve (12) months after your termination date (subject to the expiration detailed in Section 6).

(c) No Notice. You are responsible for keeping track of these exercise periods following your termination of Service for any reason. The Company will not provide further notice of such periods. In no event shall this SAR be exercised later than the Expiration Date set forth in the Notice of Grant.

3. Vesting Rights. Subject to the applicable provisions of the Plan and this Agreement, this SAR may be exercised, in whole or in part, in accordance with the schedule set forth in the Notice of Grant.

4. Exercise of SAR.

(a) Right to Exercise. This SAR is exercisable during its term in accordance with the Vesting Schedule set forth in the Notice of Grant and the applicable provisions of the Plan and this Agreement. In the event of your death, Disability, or other cessation of Service, the exercisability of the SAR is governed by the applicable provisions of the Plan, the Notice of Grant and this Agreement. This SAR may not be exercised for a fraction of a Share.

(b) Method of Exercise. This SAR is exercisable by delivery of an exercise notice in a form specified by the Company (the "***Exercise Notice***"), which shall state the election to exercise the SAR, the number of Shares in respect of which the SAR is being exercised (the "***Exercised Shares***"), and such other representations and agreements as may be required by the Company pursuant to the provisions of the Plan. The Exercise Notice shall be delivered in person, by mail, via electronic mail or facsimile or by other authorized method to the Secretary of the Company or other person designated by the Company. This SAR shall be deemed to be exercised upon receipt by the Company of a fully executed Exercise Notice and any applicable tax withholding due upon exercise of the SAR.

(c) No Shares shall be issued pursuant to the exercise of this SAR unless such issuance and exercise complies with all relevant provisions of law and the requirements of any stock exchange or quotation service upon which the Shares are then listed. Assuming such compliance, for income tax purposes the Exercised Shares shall be considered transferred to you on the date the SAR is exercised with respect to such Exercised Shares.

5. Non-Transferability of SAR. This SAR may not be transferred in any manner other than by will or by the laws of descent or distribution or court order and may be exercised during your lifetime only by you unless otherwise permitted by the Committee on a case-by-case basis. The terms of the Plan and this Agreement shall be binding upon your executors, administrators, heirs, successors and assign.

6. Term of SAR. This SAR shall in any event expire on the expiration date set forth in the Notice of Grant, which date is ten (10) years after the Date of Grant.

7. Tax Consequences. You should consult a tax adviser for tax consequences relating to this SAR in the jurisdiction in which you are subject to tax. YOU SHOULD CONSULT A TAX ADVISER BEFORE EXERCISING THIS SAR OR DISPOSING OF THE SHARES. If you are an Employee or a former Employee, the Company may be required to withhold from your compensation an amount equal to the minimum amount the Company is required to withhold for income and employment taxes or collect from you and pay to the applicable taxing authorities an amount in cash equal to a percentage of this compensation income at the time of exercise.

8. Withholding Taxes and Stock Withholding. Regardless of any action the Company or your actual employer (the "***Employer***") takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related withholding ("***Tax-Related Items***"), you acknowledge that the ultimate liability for all Tax-Related Items legally due by you is and remains your responsibility and that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the SAR, including the grant, vesting or exercise of the SAR, the subsequent sale of Shares acquired pursuant to such exercise and the receipt of any dividends; and (2) do not commit to structure the terms of the grant or any aspect of the SAR to reduce or eliminate your liability for Tax-Related Items. You acknowledge that if you are subject to Tax-Related Items in more than one jurisdiction, the Company and/or the Employer may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to exercise of the SAR, you shall pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all withholding and payment on account obligations of the Company and/or the Employer. In this regard, you authorize the Company and/or the Employer to

withhold all applicable Tax-Related Items legally payable by you from your wages or other cash compensation paid to you by the Company and/or the Employer. With the Company's consent, these arrangements may also include, if permissible under local law, (a) withholding Shares that otherwise would be issued to you when you exercise this SAR, provided that the Company only withholds the amount of Shares necessary to satisfy the minimum statutory withholding amount, (b) having the Company withhold taxes from the proceeds of the sale of the Shares, either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf and you hereby authorize such sales by this authorization), (c) your payment of a cash amount, or (d) any other arrangement approved by the Company; all under such rules as may be established by the Committee and in compliance with the Company's Insider Trading Policy and 10b5-1 Trading Plan Policy, if applicable; provided however, that if you are a Section 16 officer of the Company under the Exchange Act, then the Committee (as constituted in accordance with Rule 16b-3 under the Exchange Act) shall establish the method of withholding from alternatives (a)-(d) above, and the Committee shall establish the method prior to the Tax-Related Items withholding event. The Fair Market Value of these Shares, determined as of the effective date of the SAR exercise, will be applied as a credit against the withholding taxes. You shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold as a result of your participation in the Plan or your purchase of Shares that cannot be satisfied by the means previously described. Finally, you acknowledge that the Company has no obligation to honor the exercise or deliver Shares to you until you have satisfied the obligations in connection with the Tax-Related Items as described in this Section.

9. Acknowledgement. The Company and you agree that the SAR is granted under and governed by the Notice of Grant, this Agreement and the provisions of the Plan (incorporated herein by reference). You: (a) acknowledge receipt of a copy of the Plan and the Plan prospectus, (b) represent that you have carefully read and are familiar with their provisions, and (c) hereby accept the SAR subject to all of the terms and conditions set forth herein and those set forth in the Plan and the Notice of Grant. You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to the Plan, the Notice of Grant and the SAR Agreement.

10. Entire Agreement; Enforcement of Rights. This Agreement, the Plan and the Notice of Grant constitute the entire agreement and understanding of the parties relating to the subject matter herein and supersede all prior discussions between them. Any prior agreements, commitments or negotiations concerning the purchase of the Shares hereunder are superseded. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing and signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

11. Compliance with Laws and Regulations. The issuance of Shares will be subject to and conditioned upon compliance by the Company and you with all applicable state, federal and foreign laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which the Company's Class A Common Stock may be listed or quoted at the time of such issuance or transfer. The Shares issued pursuant to this Agreement shall be endorsed with appropriate legends, if any, determined by the Company.

12. Governing Law; Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good

faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (a) such provision shall be excluded from this Agreement, (b) the balance of this Agreement shall be interpreted as if such provision were so excluded and (c) the balance of this Agreement shall be enforceable in accordance with its terms. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law. For purposes of litigating any dispute that may arise directly or indirectly from the Plan, the Notice of Grant and this Agreement, the parties hereby submit and consent to litigation in the exclusive jurisdiction of the State of California and agree that any such litigation shall be conducted only in the courts of California in Santa Barbra County or the federal courts of the United States for the Central District of California and no other courts.

13. **No Rights as Employee, Director or Consultant**. Nothing in this Agreement shall affect in any manner whatsoever the right or power of the Company, or a Parent, Subsidiary or Affiliate of the Company, to terminate your Service, for any reason, with or without Cause.

14. **Consent to Electronic Delivery of All Plan Documents and Disclosures**. By your acceptance of this SAR, you consent to the electronic delivery of the Notice of Grant, this Agreement, the Plan, account statements, Plan prospectuses required by the Securities and Exchange Commission, U.S. financial reports of the Company, and all other documents that the Company is required to deliver to its security holders (including, without limitation, annual reports and proxy statements) or other communications or information related to the SAR. Electronic delivery may include the delivery of a link to a Company intranet or the internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other delivery determined at the Company's discretion. You acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost if you contact the Company by telephone, through a postal service or electronic mail at [insert email]. You further acknowledge that you will be provided with a paper copy of any documents delivered electronically if electronic delivery fails; similarly, you understand that you must provide on request to the Company or any designated third party a paper copy of any documents delivered electronically if electronic delivery fails. Also, you understand that your consent may be revoked or changed, including any change in the electronic mail address to which documents are delivered (if you have provided an electronic mail address), at any time by notifying the Company of such revised or revoked consent by telephone, postal service or electronic mail at [insert email]. Finally, you understand that you are not required to consent to electronic delivery.

15. **Adjustment**. In the event of a stock split, a stock dividend or a similar change in Company stock, the number of Shares covered by this SAR and the exercise price per Share may be adjusted pursuant to the Plan.

16. **Lock-Up Agreement**. In connection with the initial public offering of the Company's securities and upon request of the Company or the underwriters managing any underwritten offering of the Company's securities, you hereby agree not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any securities of the Company however and whenever acquired (other than those included in the registration) without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed one hundred eighty (180) days) from the effective date of such registration as may be requested by the Company or such managing underwriters and to execute an agreement reflecting the foregoing as may be requested by the underwriters at the time of the public offering; provided

however that, if during the last seventeen (17) days of the restricted period the Company issues an earnings release or material news or a material event relating to the Company occurs, or prior to the expiration of the restricted period the Company announces that it will release earnings results during the sixteen (16)-day period beginning on the last day of the restricted period, then, upon the request of the managing underwriter, to the extent required by any FINRA rules, the restrictions imposed by this Section shall continue to apply until the end of the third trading day following the expiration of the fifteen (15)-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event. In no event will the restricted period extend beyond two hundred sixteen (216) days after the effective date of the registration statement.

17. Award Subject to Company Clawback or Recoupment. To the extent permitted by applicable law, the SAR shall be subject to clawback or recoupment pursuant to any compensation clawback or recoupment policy adopted by the Board or required by law during the term of your employment or other Service that is applicable to you. In addition to any other remedies available under such policy, applicable law may require the cancellation of your SAR (whether vested or unvested) and the recoupment of any gains realized with respect to your SAR.

BY ACCEPTING THIS SAR, YOU AGREE TO ALL OF THE TERMS AND CONDITIONS DESCRIBED ABOVE AND IN THE PLAN.

NOTICE OF RESTRICTED STOCK UNIT AWARD

APPFOLIO, INC.
2015 STOCK INCENTIVE PLAN

NOTICE OF RESTRICTED STOCK UNIT AWARD

APPFOLIO, INC.
2015 STOCK INCENTIVE PLAN

Unless otherwise defined herein, the terms defined in the AppFolio, Inc. (the "***Company***") 2015 Stock Incentive Plan (the "***Plan***") shall have the same meanings in this Notice of Restricted Stock Unit Award (the "***Notice***") and the attached Restricted Stock Unit Agreement (the "***RSU Agreement***"). You have been granted an award of Restricted Stock Units ("***RSUs***") under the Plan subject to the terms and conditions of the Plan, this Notice and the attached RSU Agreement.

Name:	
Address:	
Number of RSUs:	
Date of Grant:	
Vesting Commencement Date:	
Expiration Date:	The date on which settlement of all RSUs granted hereunder occurs. This RSU expires earlier if your Service terminates earlier, as described in the RSU Agreement.
Vesting Schedule:	[**INSERT VESTING SCHEDULE**].
Additional Terms:	☐ If this box is checked, the additional terms and conditions set forth on Attachment 1 hereto (as executed by the Company) are applicable and are incorporated herein by reference. No document need be attached as Attachment 1 if the box is not checked.

You acknowledge that the vesting of the RSUs pursuant to this Notice is earned only by continuing Service. By accepting this award, you and the Company agree that this award is granted under and governed by the terms and conditions of the Plan, the Notice and the RSU Agreement. You acknowledge and agree that the Vesting Schedule may change prospectively in the event that your Service status changes between full and part-time status in accordance with Company policies relating to work schedules and vesting of awards. You further acknowledge that the grant of this RSU by the Company is at the Company's sole discretion, and does not entitle you to further grant(s) of RSU(s) or any other award(s) under the Plan or any other plan or program maintained by the Company or any Parent, Subsidiary or Affiliate of the Company. By accepting this RSU, you consent to electronic delivery as set forth in the RSU Agreement.

PARTICIPANT:

Signature: _____

Print Name: _____

APPFOLIO, INC.

By: _____

Name: _____

Its: _____

RESTRICTED STOCK UNIT AGREEMENT

APPFOLIO, INC.
2015 STOCK INCENTIVE PLAN

RESTRICTED STOCK UNIT AGREEMENT

APPFOLIO, INC.
2015 STOCK INCENTIVE PLAN

You have been granted Restricted Stock Units ("***RSUs***") by AppFolio, Inc. (the "***Company***") subject to the terms, restrictions and conditions of the Plan, the Notice of Restricted Stock Unit Award (the "***Notice***") and this Restricted Stock Unit Agreement (this "***RSU Agreement***").

1. Settlement. Settlement of RSUs shall be made in the same calendar year as the applicable date of vesting under the vesting schedule set forth in the Notice; provided, however, that if the vesting date under the vesting schedule set forth in the Notice is in December, then settlement of any RSUs that vest in December shall be within 30 days of vesting. Settlement of RSUs shall be in Shares. Settlement means the delivery of the Shares vested under an RSU. No fractional RSUs or rights for fractional Shares shall be created pursuant to this RSU Agreement.

2. No Stockholder Rights. Unless and until such time as Shares are issued in settlement of vested RSUs, you shall have no ownership of the Shares allocated to the RSUs and shall have no right to dividends or to vote such Shares.

3. Dividend Equivalents. Dividends, if any (whether in cash or Shares), shall not be credited to you.

4. No Transfer. RSUs may not be sold, assigned, transferred, pledged, hypothecated, or otherwise disposed of in any manner other than by will or by the laws of descent or distribution or court order or unless otherwise permitted by the Committee on a case-by-case basis.

5. Termination. If your Service terminates for any reason, all unvested RSUs shall be forfeited to the Company forthwith, and all rights you have to such RSUs shall immediately terminate. In case of any dispute as to whether your termination of Service has occurred, the Committee shall have sole discretion to determine whether such termination has occurred and the effective date of such termination.

6. Construction. This RSU Agreement is the result of negotiations between and has been reviewed by each of the parties hereto and their respective counsel, if any; accordingly, this RSU Agreement shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

7. Notices. Any notice to be given under the terms of the Plan shall be addressed to the Company in care of its principal office, and any notice to be given to you shall be addressed to you at the address maintained by the Company for such person or at such other address as you may specify in writing to the Company.

8. Counterparts. This RSU Agreement may be executed in two or more counterparts, each of which shall he deemed an original and all of which together shall constitute one instrument.

9. Tax Consequences. You acknowledge that you will recognize tax consequences in connection with the RSUs. You should consult a tax adviser regarding your tax obligations in the jurisdiction where you are subject to tax.

(a) U.S. Tax Consequences. You will not recognize taxable income when you are granted or vest in the RSUs. In general, the RSUs will be taxed when they are settled and you will recognize ordinary income equal to the value of the Shares that you receive from the Company.

10. Withholding Taxes and Stock Withholding. Regardless of any action the Company or your actual employer (the "***Employer***") takes with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related withholding ("***Tax-Related Items***"), you acknowledge that the ultimate liability for all Tax-Related Items legally due by you is and remains your responsibility and that the Company and/or the Employer (1) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the award, including the grant, vesting or settlement of the RSUs, the subsequent sale of Shares acquired pursuant to such settlement and the receipt of any dividends; and (2) do not commit to structure the terms of the award or any aspect of the RSUs to reduce or eliminate your liability for Tax-Related Items. You acknowledge that if you are subject to Tax-Related Items in more than one jurisdiction, the Company and/or the Employer may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to the settlement of your RSUs, you shall pay or make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all withholding and payment on account obligations of the Company and/or the Employer. In this regard, you authorize the Company and/or the Employer to withhold all applicable Tax-Related Items legally payable by you from your wages or other cash compensation paid to you by the Company and/or the Employer. With the Company's consent, these arrangements may also include, if permissible under local law, (a) withholding Shares that otherwise would be issued to you when your RSUs are settled, provided that the Company only withholds the amount of Shares necessary to satisfy the minimum statutory withholding amount, (b) having the Company withhold taxes from the proceeds of the sale of the Shares, either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf and you hereby authorize such sales by this authorization), (c) your payment of a cash amount, or (d) any other arrangement approved by the Company; all under such rules as may be established by the Committee and in compliance with the Company's Insider Trading Policy and 10b5-1 Trading Plan Policy, if applicable; provided however, that if you are a Section 16 officer of the Company under the Exchange Act, then the Committee (as constituted in accordance with Rule 16b-3 under the Exchange Act) shall establish the method of withholding from alternatives (a)-(d) above, and the Committee shall establish the method prior to the Tax-Related Items withholding event. The Fair Market Value of these Shares, determined as of the effective date when taxes otherwise would have been withheld in cash, will be applied as a credit against the withholding taxes. You shall pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold as a result of your participation in the Plan or your purchase of Shares that cannot be satisfied by the means previously described. Finally, you acknowledge that the Company has no obligation to deliver Shares to you until you have satisfied the obligations in connection with the Tax-Related Items as described in this Section.

11. Acknowledgement. The Company and you agree that the RSUs are granted under and governed by the Notice, this RSU Agreement and the provisions of the Plan (incorporated herein by reference). You: (a) acknowledge receipt of a copy of the Plan and the Plan prospectus, (b) represent that you have carefully read and are familiar with their provisions, and (c) hereby accept the RSUs subject to all of the terms and conditions set forth herein and those set forth in the Plan and the Notice. You hereby agree to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to the Plan, the Notice and this RSU Agreement.

12. Entire Agreement; Enforcement of Rights. This RSU Agreement, the Plan and the Notice constitute the entire agreement and understanding of the parties relating to the subject matter herein and supersede all prior discussions between them. Any prior agreements, commitments or negotiations concerning the purchase of the Shares hereunder are superseded. No modification of or amendment to this RSU Agreement, nor any waiver of any rights under this RSU Agreement, shall be effective unless in writing and signed by the parties to this RSU Agreement. The failure by either party to enforce any rights under this RSU Agreement shall not be construed as a waiver of any rights of such party.

13. Compliance with Laws and Regulations. The issuance of Shares will be subject to and conditioned upon compliance by the Company and you with all applicable state, federal and foreign laws and regulations and with all applicable requirements of any stock exchange or automated quotation system on which the Company's Class A Common Stock may be listed or quoted at the time of such issuance or transfer. The Shares issued pursuant to this RSU Agreement shall be endorsed with appropriate legends, if any, determined by the Company.

14. Governing Law; Severability. If one or more provisions of this RSU Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (a) such provision shall be excluded from this RSU Agreement, (b) the balance of this RSU Agreement shall be interpreted as if such provision were so excluded and (c) the balance of this RSU Agreement shall be enforceable in accordance with its terms. This RSU Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law. For purposes of litigating any dispute that may arise directly or indirectly from the Plan, the Notice and this RSU Agreement, the parties hereby submit and consent to litigation in the exclusive jurisdiction of the State of California and agree that any such litigation shall be conducted only in the courts of California in Santa Barbra County or the federal courts of the United States for the Central District of California and no other courts.

15. No Rights as Employee, Director or Consultant. Nothing in this RSU Agreement shall affect in any manner whatsoever the right or power of the Company, or a Parent, Subsidiary or Affiliate of the Company, to terminate your Service, for any reason, with or without Cause.

16. Consent to Electronic Delivery of All Plan Documents and Disclosures. By your acceptance of this RSU, you consent to the electronic delivery of the Notice, this RSU Agreement, the Plan, account statements, Plan prospectuses required by the Securities and Exchange Commission, U.S. financial reports of the Company, and all other documents that the Company is required to deliver to its security holders (including, without limitation, annual reports and proxy statements) or other communications or information related to the RSU. Electronic delivery may include the delivery of a link to a Company intranet or the internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other delivery determined at the Company's discretion. You acknowledge that you may receive from the Company a paper copy of any documents delivered electronically at no cost if you contact the Company by telephone, through a postal service or electronic mail at [insert email]. You further acknowledge that you will be provided with a paper copy of any documents delivered electronically if electronic delivery fails;

similarly, you understand that you must provide on request to the Company or any designated third party a paper copy of any documents delivered electronically if electronic delivery fails. Also, you understand that your consent may be revoked or changed, including any change in the electronic mail address to which documents are delivered (if you have provided an electronic mail address), at any time by notifying the Company of such revised or revoked consent by telephone, postal service or electronic mail at [insert email]. Finally, you understand that you are not required to consent to electronic delivery.

17. Code Section 409A. For purposes of this RSU Agreement, a termination of employment will be determined consistent with the rules relating to a "separation from service" as defined in Section 409A of the Internal Revenue Code and the regulations thereunder ("***Section 409A***"). Notwithstanding anything else provided herein, to the extent any payments provided under this RSU Agreement in connection with your termination of employment constitute deferred compensation subject to Section 409A, and you are deemed at the time of such termination of employment to be a "specified employee" under Section 409A, then such payment shall not be made or commence until the earlier of (a) the expiration of the six-month period measured from your separation from service or (b) the date of your death following such a separation from service; provided, however, that such deferral shall only be effected to the extent required to avoid adverse tax treatment to you including, without limitation, the additional tax for which you would otherwise be liable under Section 409A(a)(1)(B) in the absence of such a deferral. To the extent any payment under this RSU Agreement may be classified as a "short-term deferral" within the meaning of Section 409A, such payment shall be deemed a short-term deferral, even if it may also qualify for an exemption from Section 409A under another provision of Section 409A. Payments pursuant to this Section are intended to constitute separate payments for purposes of Section 1.409A-2(b)(2) of the Treasury Regulations.

18. Adjustment. In the event of a stock split, a stock dividend or a similar change in Company stock, the number of Shares covered by the RSUs may be adjusted pursuant to the Plan.

19. Lock-Up Agreement. In connection with the initial public offering of the Company's securities and upon request of the Company or the underwriters managing any underwritten offering of the Company's securities, you hereby agree not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any securities of the Company however and whenever acquired (other than those included in the registration) without the prior written consent of the Company or such underwriters, as the case may be, for such period of time (not to exceed one hundred eighty (180) days) from the effective date of such registration as may be requested by the Company or such managing underwriters and to execute an agreement reflecting the foregoing as may be requested by the underwriters at the time of the public offering; provided however that, if during the last seventeen (17) days of the restricted period the Company issues an earnings release or material news or a material event relating to the Company occurs, or prior to the expiration of the restricted period the Company announces that it will release earnings results during the sixteen (16)-day period beginning on the last day of the restricted period, then, upon the request of the managing underwriter, to the extent required by any FINRA rules, the restrictions imposed by this Section shall continue to apply until the end of the third trading day following the expiration of the fifteen (15)-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event. In no event will the restricted period extend beyond two hundred sixteen (216) days after the effective date of the registration statement.

20. Award Subject to Company Clawback or Recoupment. To the extent permitted by applicable law, the RSUs shall be subject to clawback or recoupment pursuant to any compensation clawback or recoupment policy adopted by the Board or required by law during the term of your employment or other Service that is applicable to you. In addition to any other remedies available under such policy, applicable law may require the cancellation of your RSUs (whether vested or unvested) and the recoupment of any gains realized with respect to your RSUs.

BY ACCEPTING THIS RSU, YOU AGREE TO ALL OF THE TERMS AND CONDITIONS DESCRIBED ABOVE AND IN THE PLAN.

Exhibit 10.5

2015 EMPLOYEE STOCK PURCHASE PLAN

APPFOLIO, INC.

APPFOLIO, INC.

2015 EMPLOYEE STOCK PURCHASE PLAN

As adopted by the Board of Directors on May 13, 2015

ARTICLE 1

PURPOSE; TERM

1.1 Purpose. The purposes of the Plan are to (a) enhance the Company's ability to attract and retain the services of Eligible Employees upon whose judgment, initiative and efforts the successful conduct and development of the Company's business largely depends, and (b) provide additional incentives to Eligible Employees to devote their effort and skill to the advancement of the Company, by providing them an opportunity to participate in the ownership of the Company and thereby have an interest in the success and increased value of the Company. This Plan is intended to qualify as an "employee stock purchase plan" within the meaning of Section 423(b) of the Code.

1.2 Term. Unless earlier terminated as provided herein, the Plan will be effective on the Effective Date and will terminate 10 years from the date the Plan is adopted by the Board.

ARTICLE 2

DEFINITIONS AND CONSTRUCTION

For purposes of the Plan, terms not otherwise defined herein shall have the meanings indicated below:

2.1 "**Administrator**" means the Board or, if the Board delegates responsibility for any matter to the Committee, the term Administrator shall mean the Committee.

2.2 "**Agent**" means the brokerage firm, bank or other financial institution, entity or person(s), if any, engaged, retained, appointed or authorized to act as the agent of the Company or an Employee with regard to the Plan.

2.3 "**Board**" means the Board of Directors of the Company.

2.4 "**Change in Control**" means:

(a) The acquisition, directly or indirectly, in one transaction or a series of related transactions, by any person or group (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) of the beneficial ownership of securities of the Company possessing more than fifty percent (50%) of the total combined voting power of all outstanding securities of the Company; provided, however, that a Change in Control shall not result upon such acquisition of beneficial ownership if such acquisition occurs as a result of a public offering of the Company's securities or any financing transaction (or series of financing transactions);

(b) A merger or consolidation in which the Company is not the surviving entity, except for a transaction in which the holders of the outstanding voting securities of the Company

immediately prior to such merger or consolidation hold, as a result of holding Company securities prior to such transaction, in the aggregate, securities possessing more than fifty percent (50%) of the total combined voting power of all outstanding voting securities of the surviving entity (or the parent of the surviving entity) immediately after such merger or consolidation;

(c) A reverse merger in which the Company is the surviving entity, but in which the holders of the outstanding voting securities of the Company immediately prior to such merger hold, in the aggregate, securities possessing less than fifty percent (50%) of the total combined voting power of all outstanding voting securities of the Company or of the acquiring entity immediately after such merger; or

(d) The sale, transfer or other disposition (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company, except for a transaction in which the holders of the outstanding voting securities of the Company immediately prior to such transaction(s) receive as a distribution with respect to securities of the Company, in the aggregate, securities possessing more than fifty percent (50%) of the total combined voting power of all outstanding voting securities of the acquiring entity immediately after such transaction(s).

The Administrator shall have full and final authority to determine conclusively whether a Change in Control of the Company has occurred in respect of a particular set of circumstances, and the date of the occurrence of such Change in Control and any incidental matters relating thereto.

2.5 "**Class A Common Stock**" means the Class A Common Stock, par value $0.0001 per share, of the Company and such other securities of the Company that may be substituted for Class A Common Stock pursuant to Article 8.

2.6 "**Code**" means the Internal Revenue Code of 1986, as amended from time to time, together with the treasury regulations and official guidance promulgated thereunder.

2.7 "**Committee**" means a committee of two or more members of the Board appointed to administer the Plan as set forth in Section 11.1.

2.8 "**Company**" means AppFolio, Inc., a Delaware corporation.

2.9 "**Compensation**" of an Eligible Employee means the base compensation received by such Eligible Employee as compensation for services to the Company or any Related Corporation during the relevant period, excluding incentive or performance-based compensation (whether issued in the form of cash or equity), bonuses, overtime payments, sales commissions, travel and business expense reimbursements, fringe benefits, perquisites and other similar payments. Such Compensation shall be calculated before deduction of any income or employment tax withholdings, but shall be withheld from the Eligible Employee's net income.

2.10 "**Effective Date**" means the business day immediately prior to the IPO Effective Date.

2.11 "**Eligible Employee**" means an Employee of the Company or any Related Corporation: (a) who would not, immediately after any rights under the Plan are granted, own (directly or through attribution) or be deemed to own for purposes of Section 423(b)(3) of the Code five percent (5%) or more of the total combined voting power or value of all classes of capital stock of

the Company or any Related Corporation; (b) whose customary employment is for more than twenty hours per week; and (c) whose customary employment is for more than five months in any calendar year. For purposes of clause (a) of the preceding sentence, the rules of Section 424(d) of the Code with regard to the attribution of stock ownership shall apply in determining the stock ownership of an individual, and stock that an Employee may purchase under outstanding options shall be treated as stock owned by the Employee. Notwithstanding the foregoing, the Administrator may, in its sole discretion, determine that an Employee of the Company or any Related Corporations shall not be eligible to participate in an Offering Period if: (i) such Employee is a highly compensated employee within the meaning of Section 423(b)(4)(D) of the Code or is a "highly compensated employee" (A) with compensation above a specified level, (B) who is an officer of the Company or any Related Corporation thereof or (C) who is subject to the disclosure requirements of Section 16(a) of the Exchange Act; (ii) such Employee has not met a service requirement designated by the Administrator pursuant to Section 423(b)(4)(A) of the Code (which service requirement may not exceed two years), or (iii) such Employee is a citizen or resident of a foreign jurisdiction and the grant of a right to purchase stock under the Plan to such Employee would be prohibited under the laws of such foreign jurisdiction or the grant of an option to such Employee in compliance with the laws of such foreign jurisdiction would cause the Plan to violate the requirements of Section 423 of the Code, as determined by the Administrator in its sole discretion; provided that any exclusion in clauses (i), (ii) or (iii) shall be applied in an identical manner under each Offering Period to all employees of the Company or any Related Corporation, in accordance with Treasury Regulation Section 1.423-2(e).

2.12 "**Employee**" means any person who renders services to the Company or any Related Corporation as an employee within the meaning of Section 3401(c) of the Code. "Employee" shall not include any director of the Company or any Related Corporation who does not render services to the Company or any Related Corporation as an employee within the meaning of Section 3401(c) of the Code. For purposes of the Plan, the employment relationship shall be treated as continuing intact while the individual is on military leave, sick leave or other leave of absence approved by the Company and meeting the requirements of Treasury Regulation Section 1.421-1(h)(2). Where the period of leave exceeds three (3) months or such other period specified in Treasury Regulation Section 1.421-1(h)(2), and the individual's right to reemployment is not guaranteed either by statute or by contract, the employment relationship shall be deemed to have terminated on the first day immediately following such three (3)-month period or such other period specified in Treasury Regulation Section 1.421-1(h)(2).

2.13 "**Enrollment Date**" means the first Trading Day of each Offering Period.

2.14 "**Exchange Act**" means the Securities Exchange Act of 1934, as amended from time to time.

2.15 "**Fair Market Value**" on any given date means the value of one share of Class A Common Stock, determined as follows:

(a) If the Class A Common Stock is then listed or admitted for trading on The NASDAQ Stock Market or another stock exchange which reports closing sale prices, the Fair Market Value shall be the closing sale price on the date of valuation on The NASDAQ Stock Market or principal stock exchange on which the Class A Common Stock is then listed or admitted for trading, or, if no closing sale price is quoted on such day, then the Fair Market Value shall be the closing sale price of the Class A Common Stock on The NASDAQ Stock Market or such exchange on the next preceding day on which a closing sale price is reported.

(b) If the Class A Common Stock is not then listed or admitted for trading on The NASDAQ Stock Market or a stock exchange which reports closing sale prices, the Fair Market Value shall be the average of the closing bid and asked prices of the Class A Common Stock in the over-the-counter market on the date of valuation.

(c) If neither (a) nor (b) is applicable as of the date of valuation, then the Fair Market Value shall be determined by the Administrator in good faith using any reasonable method of evaluation in a manner consistent with the valuation principles under Section 409A of the Code, which determination shall be conclusive and binding on all interested parties.

2.16 "**IPO Effective Date**" means the date on which the underwritten initial public offering of the Company's Class A Common Stock pursuant to a registration statement is declared effective by the SEC.

2.17 "**Offering Period**" means the periods of approximately six months during which an option granted pursuant to the Plan may be exercised, (i) commencing on the first Trading Day on or after June 1st of each year and terminating on the first Trading Day on or following November 30th, approximately six months later, and (ii) commencing on the first Trading Day on or after December 1st of each year and terminating on the first Trading Day on or following May 30th, approximately six months later. The duration and timing of Offering Periods may be changed pursuant to Article 4 and Article 9. In no event may an Offering Period exceed twenty-seven (27) months.

2.18 "**Participant**" means any Eligible Employee who has executed a subscription agreement and been granted rights to purchase Class A Common Stock pursuant to the Plan.

2.19 "**Plan**" means this 2015 Employee Stock Purchase Plan of the Company.

2.20 "**Purchase Date**" means the last Trading Day of each Offering Period.

2.21 "**Purchase Price**" means, with respect to a particular Offering Period, an amount equal to eighty-five percent (85%) of the lesser of the Fair Market Value of a Share on (a) the applicable Enrollment Date, and (b) the applicable Purchase Date; provided, however, that the Purchase Price for subsequent Offering Periods may be determined by the Administrator in its sole discretion subject to compliance with Section 423 of the Code (or any successor provision, or any other applicable law, regulation or stock exchange listing standard) or pursuant to Article 9.

2.22 "**Related Corporation**" means any "parent corporation" or "subsidiary corporation" of the Company (to the extent established in the future), as those terms are defined in Section 424(e) and (f) respectively, of the Code.

2.23 "**Securities Act**" means the Securities Act of 1933, as amended from time to time.

2.24 "**Share**" means a share of Class A Common Stock.

2.25 "**Trading Day**" means a day on which The NASDAQ Stock Market or principal stock exchange on which the Class A Common Stock is then listed or admitted for trading is open for trading.

ARTICLE 3

SHARES SUBJECT TO THE PLAN

3.1 Number of Shares. Subject to Article 8, the aggregate number of Shares that may be issued pursuant to rights granted under the Plan shall be 500,000 Shares. In addition, commencing on January 1, 2016 and on each January 1st thereafter during the term of the Plan, the number of Shares reserved and available for issuance under the Plan shall be increased by the lesser of (a) the number of Shares issued or transferred pursuant to rights granted under the Plan during the preceding calendar year or (b) such lesser number of Shares as determined by the Administrator. If any right granted under the Plan shall for any reason terminate without having been exercised, the Class A Common Stock not purchased under such right shall again become available for the Plan. Notwithstanding anything in this Section 3.1 to the contrary, the number of Shares that may be issued or transferred pursuant to rights granted under the Plan shall not exceed an aggregate of 1,250,000 Shares, subject to Article 8.

3.2 Shares Distributed. The Shares available for issuance under the Plan may be authorized but unissued Shares, Shares held in treasury, or Shares reacquired by the Company.

ARTICLE 4

OFFERING PERIODS

4.1 Offering Periods. The Plan will be implemented by consecutive Offering Periods with a new Offering Period commencing on the first Trading Day on or after June 1st and December 1st each year, or on such other date as the Administrator will determine. The Administrator will have the authority to change the commencement date and duration of Offering Periods with respect to future offerings.

ARTICLE 5

ELIGIBILITY AND PARTICIPATION

5.1 Eligibility. Any Eligible Employee who shall be employed by the Company or any Related Corporation on the day immediately preceding a given Enrollment Date for an Offering Period shall be eligible to participate in the Plan during such Offering Period, subject to the requirements of this Article 5 and the limitations imposed by Section 423(b) of the Code.

5.2 Enrollment in Plan.

(a) An Eligible Employee may become a Participant in the Plan for an Offering Period by delivering a subscription agreement to the Company in such form as the Administrator requires and by such time prior to the Enrollment Date for such Offering Period as is designated by the Administrator.

(b) Each such agreement shall designate a whole percentage of such Eligible Employee's Compensation to be withheld by the Company and any Related Corporation on each payday during the Offering Period as payroll deductions under the Plan. An Eligible Employee may designate any whole percentage of Compensation that is not less than one percent (1%) and not more

than the maximum percentage specified by the Administrator (which percentage shall be twenty percent (20%) in the absence of any such designation) as payroll deductions. The payroll deductions made for each Participant shall be credited to an account for such Participant under the Plan and shall be deposited with the general funds of the Company in a manner consistent with Section 12.5.

(c) A Participant may increase or decrease the percentage of Compensation designated in his or her subscription agreement at any time during an Offering Period; provided, however, that the Administrator may limit the number of changes a Participant may make to his or her payroll deduction elections during each Offering Period (and in the absence of any specific designation by the Administrator, a Participant shall be allowed one change to his or her payroll deduction elections during each Offering Period). Any such change in payroll deductions shall be effective with the first full payroll period following five (5) business days after the Company's receipt of a new subscription agreement evidencing the new payroll deduction election (or such shorter or longer period as may be specified by the Administrator).

(d) A Participant may suspend payroll deductions at any time during an Offering Period. Any such suspension of payroll deductions shall be effective with the first full payroll period following five (5) business days after the Company's receipt of a written notice of suspension (or such shorter or longer period as may be specified by the Administrator). In the event a Participant elects to suspend his or her payroll deductions with respect to an Offering Period, such Participant's cumulative payroll deductions prior to the suspension shall remain in his or her account and shall be applied to the purchase of Shares on the next occurring Purchase Date and shall not be paid to such Participant unless he or she withdraws from participation in the Plan in accordance with Article 7. A Participant who suspends payroll deductions during an Offering Period shall not be permitted to resume contributions to the Plan during that Offering Period.

(e) Except as otherwise determined by the Administrator, in its sole discretion from time to time, a Participant may participate in the Plan only by means of payroll deductions and may not make contributions by lump sum payment for any Offering Period.

5.3 Payroll Deductions. Except as otherwise determined by the Administrator, in its sole discretion from time to time, payroll deductions for a Participant shall commence with the first payroll following the Enrollment Date, and shall end with the last payroll in the Offering Period to which his or her authorization is applicable, unless sooner terminated by the Participant in accordance with Article 7.

5.4 Effect of Enrollment. A Participant's completion of a subscription agreement will enroll such Participant in the Plan for each subsequent Offering Period on the terms contained therein until the Participant submits a new subscription agreement, withdraws from participation under the Plan in accordance with Article 7, or otherwise becomes ineligible to participate in the Plan.

5.5 Limitation on Purchase of Class A Common Stock. An Eligible Employee may be granted rights under the Plan only if such rights, together with any other rights granted to such Eligible Employee under "employee stock purchase plans" of the Company and any Related Corporations, do not permit such employee's rights to purchase stock of the Company or any Related Corporation to accrue at a rate that exceeds $25,000 of Fair Market Value of such stock (determined as of the first day of the Offering Period during which such rights are granted) for each calendar year in which such rights are outstanding at any time. This limitation shall be applied in accordance with Section 423(b)(8) of the Code.

5.6 Decrease or Suspension of Payroll Deductions. Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 5.5 (and any other limitations set forth in the Plan), a Participant's payroll deductions may be suspended by the Administrator at any time during an Offering Period. The balance of the amount credited to the account of each Participant that has not been applied to the purchase of Shares by reason of Section 423(b)(8) of the Code or Section 5.5 (or the other limitations set forth in the Plan) shall be paid to such Participant in one lump sum in cash as soon as reasonably practicable following the Purchase Date.

5.7 Leave of Absence. During leaves of absence approved by the Company meeting the requirements of Treasury Regulation Section 1.421-1(h)(2) under the Code, a Participant may continue participation in the Plan by making cash payments to the Company on his or her normal payday equal to his or her authorized payroll deduction.

ARTICLE 6

GRANT AND EXERCISE OF RIGHTS

6.1 Grant of Rights. On the Enrollment Date of each Offering Period, each Eligible Employee participating in such Offering Period shall be granted a right to purchase the maximum number of Shares that an Eligible Employee may purchase during each Offering Period, subject to the limits in Section 5.5, and shall have the right to buy, on each Purchase Date during such Offering Period, such number of Shares as is determined by dividing (a) such Participant's payroll deductions accumulated prior to such Purchase Date and retained in the Participant's account as of the Purchase Date, by (b) the applicable Purchase Price. The right shall expire on the last day of the Offering Period.

6.2 Exercise of Rights. On each Purchase Date, each Participant's accumulated payroll deductions will be applied to the purchase of whole Shares of the Company, up to the maximum number of Shares permitted pursuant to the terms of the Plan or as determined by the Administrator in its sole discretion from time to time, at the Purchase Price. No fractional Shares shall be issued upon the exercise of rights granted under the Plan, unless the Administrator specifically provides otherwise. Any cash in lieu of fractional Shares remaining after the purchase of whole Shares upon exercise of a purchase right will be credited to a Participant's account and carried forward and applied toward the purchase of whole Shares for the next following Offering Period.

6.3 Purchase of Shares. As soon as practicable following the applicable Purchase Date, the number of shares of Class A Common Stock purchased by a Participant pursuant to Section 6.2 shall be delivered (either in share certificate or book entry form), in the Company's sole discretion, to either (i) the Participant or (ii) an account established in the Participant's name at a stock brokerage or other financial services firm designated by the Company.

6.4 Pro Rata Allocation of Shares. If the Administrator determines that, on a given Purchase Date, the number of Shares with respect to which rights are to be exercised may exceed (a) the number of Shares that were available for issuance under the Plan on the Enrollment Date of the applicable Offering Period, or (b) the number of Shares available for issuance under the Plan on such Purchase Date, the Administrator may in its sole discretion provide that the Company shall make a pro rata allocation of the Shares available for purchase on such Enrollment Date or Purchase Date, as applicable, in as uniform a manner as shall be practicable and as it shall determine in its sole

discretion to be equitable among all Participants for whom rights to purchase Class A Common Stock are to be exercised pursuant to this Article 6 on such Purchase Date, and shall either (a) continue all Offering Periods then in effect, or (b) terminate any or all Offering Periods then in effect pursuant to Article 9. The Company may make a pro rata allocation of the Shares available on the Enrollment Date of any applicable Offering Period pursuant to the preceding sentence, notwithstanding any authorization of additional Shares for issuance under the Plan by the Company's stockholders subsequent to such Enrollment Date. The balance of the amount credited to the account of each Participant that has not been applied to the purchase of Shares shall be paid to such Participant in one lump sum in cash as soon as reasonably practicable after the Purchase Date.

6.5 Withholding. At the time a Participant's rights under the Plan are exercised, in whole or in part, or at the time some or all of the Class A Common Stock issued under the Plan is disposed of, the Participant must make adequate provision for the Company's federal, state, or other tax withholding obligations, if any, that arise upon the exercise of the right or the disposition of the Class A Common Stock. At any time, the Company may, but shall not be obligated to, withhold from the Participant's compensation the amount necessary for the Company to meet applicable withholding obligations, including any withholding required to make available to the Company any tax deductions or benefits attributable to sale or early disposition of Class A Common Stock by the Participant.

6.6 Conditions to Issuance of Class A Common Stock. The Company shall not be required to issue or deliver any certificates for, or make any book entries evidencing, Shares purchased upon the exercise of rights under the Plan prior to fulfillment of all of the following conditions:

(a) The admission of such Shares to listing on the principal stock exchange, if any, on which the Class A Common Stock is then listed or admitted for trading; and

(b) The completion of any registration or other qualification of such Shares under any state or federal law, or under the rules or regulations of the Securities and Exchange Commission, or any other governmental regulatory body that the Administrator shall, in its sole discretion, deem necessary or advisable; and

(c) The obtaining of any approval, authorization or waiver from any state or federal governmental agency that the Administrator shall, in its sole discretion, determine to be necessary or advisable; and

(d) The payment to the Company of all amounts that it is required to withhold under federal, state or local law upon exercise of the rights, if any.

ARTICLE 7

WITHDRAWAL; CESSATION OF ELIGIBILITY

7.1 Withdrawal. A Participant may elect to withdraw from participation in the Plan at any time by giving written notice to the Company in a form acceptable to the Administrator no later than five (5) business days prior to the end of the Offering Period. All of the payroll deductions credited to the Participant's account and not yet used to exercise his or her rights under the Plan shall be paid to the Participant as soon as reasonably practicable after receipt of the notice of withdrawal and such Participant's rights for the Offering Period shall be automatically terminated, and no further

payroll deductions for the purchase of Shares shall be made for such Offering Period. If a Participant withdraws from an Offering Period, payroll deductions shall not resume at the beginning of the next Offering Period unless the Participant delivers a new subscription agreement to the Company.

7.2 Suspension. A Participant may suspend payroll deductions at any time during an Offering Period in accordance with Section 5.2(d). In the event a Participant elects to suspend his or her payroll deductions with respect to an Offering Period, such Participant's cumulative payroll deductions prior to the suspension shall remain in his or her account and shall be applied to the purchase of Shares on the next occurring Purchase Date and shall not be paid to such Participant unless he or she withdraws from participation in the Plan in accordance with Section 7.1.

7.3 Future Participation. A Participant's withdrawal from an Offering Period shall not have any effect upon his or her eligibility to participate in any similar plan that may hereafter be adopted by the Company or in subsequent Offering Periods that commence after the termination of the Offering Period from which the Participant withdraws.

7.4 Cessation of Eligibility. Upon a Participant's ceasing to be an Eligible Employee for any reason, he or she shall be deemed to have elected to withdraw from the Plan pursuant to this Article 7 and the payroll deductions credited to such Participant's account during the Offering Period shall be paid to such Participant or, in the case of his or her death, to the person or persons entitled thereto under Section 12.1, as soon as reasonably practicable, and such Participant's rights for the Offering Period shall be automatically terminated.

ARTICLE 8

ADJUSTMENTS UPON CHANGES IN STOCK

8.1 Changes in Capital Structure. Subject to Section 8.3, in the event, after the Effective Date, of any stock dividend, stock split, combination or reclassification of shares, merger, consolidation, spin-off, recapitalization, distribution of Company assets to stockholders (other than normal cash dividends), or any other similar corporate event affecting the Class A Common Stock, the Administrator may make such proportionate adjustments, if any, as the Administrator in its sole discretion may deem appropriate to reflect such change with respect to (a) the aggregate number and type of Shares (or other securities or property) that may be issued under the Plan (including, but not limited to, adjustments to the limitations in Section 3.1), (b) the Purchase Price with respect to any outstanding rights, and (c) the class(es) and number of shares and price per Share subject to outstanding rights.

8.2 Other Adjustments. Subject to Section 8.3, in the event of any transaction or event described in Section 8.1, or any unusual or nonrecurring transactions or events affecting the Company or its outstanding capital stock (including, without limitation, any Change in Control), and whenever the Administrator determines that such action is appropriate in order to prevent the dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to any right under the Plan, to facilitate such transactions or events, or to give effect to changes in laws, regulations or principles, the Administrator, in its sole discretion and on such terms and conditions as it deems appropriate, is hereby authorized to take any one or more of the following actions:

(a) To provide for either (i) termination of any outstanding right in exchange for an amount of cash, if any, equal to the amount that would have been obtained upon the exercise of such right had such right been currently exercisable or (ii) the replacement of such outstanding right with other rights or property selected by the Administrator;

(b) To provide that the outstanding rights under the Plan shall be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar rights covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices;

(c) To make adjustments in the number and type of Shares (or other securities or property) subject to outstanding rights under the Plan and/or in the terms and conditions of outstanding rights and rights that may be granted in the future;

(d) To provide that Participants' accumulated payroll deductions may be used to purchase Class A Common Stock prior to the next scheduled Purchase Date on such date as the Administrator determines and that Participants' rights under the ongoing Offering Period(s) shall terminate; and

(e) To provide that all outstanding rights shall terminate without being exercised.

8.3 No Adjustment Under Certain Circumstances. No adjustment or action described in this Article 8 or in any other provision of the Plan shall be authorized to the extent that such adjustment or action would cause the Plan to fail to satisfy the requirements of Section 423 of the Code.

8.4 No Other Rights. Except as expressly provided in the Plan, no Participant shall have any rights by reason of any subdivision or consolidation of shares of stock of any class, the payment of any dividend, any increase or decrease in the number of shares of stock of any class or any dissolution, liquidation, merger, or consolidation of the Company or any other Related Corporation. Except as expressly provided in the Plan or pursuant to action of the Administrator under the Plan, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of Shares that a Participant shall have the right to buy in any Offering Period or that are available for issuance under the Plan.

ARTICLE 9

AMENDMENT, MODIFICATION, SUSPENSION AND TERMINATION

9.1 Amendment, Modification, Suspension and Termination. The Administrator may amend, modify, suspend or terminate the Plan at any time and from time to time; provided, however, that approval by a vote of the holders of the outstanding shares of the Company's capital stock entitled to vote shall be required to amend the Plan: (a) to increase the aggregate number, or change the type, of Shares that may be sold pursuant to rights under the Plan under Section 3.1 (other than an adjustment as provided by Article 8), (b) to change the scope of the Participants under the Plan, (c) to change the Plan in any manner that would cause the Plan to no longer be an "employee stock purchase plan" within the meaning of Section 423(b) of the Code, or (d) if required by the applicable rules or continued listing requirements adopted by The NASDAQ Stock Market or the principal exchange on which the Shares are then listed or admitted for trading. No rights may be granted under the Plan during any period of suspension.

9.2 Certain Changes to Plan. Without obtaining stockholder consent, without regard to whether any Participant's rights may be considered to have been adversely affected, and to the extent permitted by Section 423 of the Code, the Administrator may, in its sole discretion, (a) change the commencement date of Offering Periods, (b) change the duration of Offering Periods, (c) limit the number of changes in the amount withheld during an Offering Period, (d) calculate the Compensation amount for any Eligible Employee, (e) establish the maximum amount of Compensation for which payroll deductions can be made, (f) set the time for delivery of notices under the Plan, and (g) establish such other limitations or procedures as the Administrator determines to be advisable, in its sole discretion, that are consistent with the Plan.

9.3 Unfavorable Financial or Accounting Consequences. Without obtaining stockholder consent, in the event the Administrator determines that the ongoing operation of the Plan may result in unfavorable financial or accounting consequences, the Administrator may, in its sole discretion, modify or amend the Plan to reduce or eliminate such accounting or financial consequence including, but not limited to, (a) altering the calculation of the Purchase Price for any Offering Period, including an Offering Period underway at the time of the change in Purchase Price, and (b) modifying the duration of any Offering Period so that the Offering Period ends on a new Purchase Date, including an Offering Period underway at the time of the change in the Offering Period.

9.4 Payments Upon Termination of Plan. Upon termination of the Plan, the balance in each Participant's account shall be refunded as soon as practicable after such termination.

ARTICLE 10

STOCKHOLDER APPROVAL

10.1 Stockholder Approval. The Plan will be subject to approval by the stockholders, consistent with applicable laws, within twelve (12) months after the date this Plan is adopted by the Board. No right may be granted under the Plan prior to such stockholder approval.

ARTICLE 11

ADMINISTRATION

11.1 Administrator. Authority to control and manage the operation and administration of the Plan shall be vested in the Board, which may delegate such responsibilities in whole or in part to the Committee, which shall consist of two (2) or more members of the Board. For purposes of this Plan, the term "Administrator" means the Board or, with respect to any matter as to which responsibility has been delegated to the Committee, the term Administrator shall mean the Committee. Each of the members of the Committee shall meet the independence requirements under the then applicable rules or continued listing requirements adopted by The NASDAQ Stock Market or the principal exchange on which the Shares are then listed or admitted for trading. Members of the Committee may be appointed from time to time by, and shall serve at the pleasure of, the Board. The Committee may delegate administrative tasks under the Plan to the services of an Agent and/or Employees to assist in the administration of the Plan, including establishing and maintaining an individual securities account under the Plan for each Participant.

11.2 Authority of Administrator. In addition to any other powers or authority conferred upon the Administrator elsewhere in the Plan (including, without limitation, in Article 9) or by law,

the Administrator shall have full power and authority to: (a) determine the persons to whom, and the time or times at which, rights to purchase Class A Common Stock shall be granted under the Plan and the provisions of each offering of such rights (which need not be identical), (b) interpret the Plan and the rights granted under it, (c) establish, amend and revoke rules and regulations for the administration of the Plan, (d) correct any defect or omission, or reconcile any inconsistency in the Plan, (e) amend the Plan as provided in Article 9, (f) exercise such powers and perform such acts as the Administrator deems necessary to carry out the intent that the Plan be treated as an "employee stock purchase plan" within the meaning of Section 423 of the Code, and (g) make all other determinations necessary or advisable for the administration of the Plan, but only to the extent not contrary to the express provisions of the Plan. Any action, decision, interpretation or determination made in good faith by the Administrator in the exercise of its authority conferred upon it under the Plan shall be final and binding on the Company and all Participants.

11.3 Expenses. All expenses and liabilities incurred by the Administrator in connection with the administration of the Plan shall be borne by the Company. The Administrator may, with the approval of the Committee, employ attorneys, consultants, accountants, brokerage firms, banks, financial institutions or other persons. The Administrator, the Company and its officers and directors shall be entitled to rely upon the advice, opinions or valuations of any such persons. All actions taken and all interpretations and determinations made by the Administrator in good faith shall be final and binding upon all Participants, the Company and all other interested persons.

11.4 Limitation on Liability. No employee of the Company or member of the Board or Committee shall be subject to any liability with respect to duties under the Plan unless the person acts fraudulently or in bad faith. To the extent permitted by law, the Company shall indemnify each member of the Board or Committee, and any employee of the Company to whom duties are delegated under the Plan, who was or is a party, or is threatened to be made a party, to any threatened, pending or completed proceeding, whether civil, criminal, administrative or investigative, by reason of such person's conduct in the performance of duties under the Plan.

ARTICLE 12

MISCELLANEOUS

12.1 Restriction upon Assignment. A right granted under the Plan shall not be transferable other than by will or the applicable laws of descent and distribution, and is exercisable during the Participant's lifetime only by the Participant. The Company shall not recognize and shall be under no duty to recognize any assignment or alienation of the Participant's interest in the Plan, the Participant's rights under the Plan or any rights thereunder.

12.2 Rights as a Stockholder. Participant shall not be deemed to be a holder of, or to have any of the rights of a holder with respect to, Shares subject to a right granted under the Plan unless and until such Shares have been issued to the Participant in accordance with Section 6.3, the Company's transfer agent shall have transferred the Shares to Participant, and Participant's name shall have been entered as the stockholder of record on the books of the Company. Thereupon, Participant shall have full voting, dividend and other ownership rights with respect to such Shares.

12.3 Interest. In no event shall interest accrue on the payroll deductions of a Participant under the Plan.

12.4 Notices. All notices or other communications by a Participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

12.5 Application of Funds. All payroll deductions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

12.6 Account Statements. Individual accounts shall be maintained for each Participant in the Plan. Statements of individual accounts shall be given to Participants at least annually, which statements shall set forth the amount of payroll deductions made, the Purchase Price paid, the number of Shares purchased, and the remaining cash balance, if any. The Committee may delegate responsibility to prepare and distribute the account statements to an Agent and/or Employees .

12.7 No Enlargement of Employee Rights. This Plan is strictly a voluntary undertaking on the part of the Company and shall not be deemed to constitute a contract between the Company and any Eligible Employee or Participant to be consideration for, or an inducement to, or a condition of, the employment of any Eligible Employee or Participant. Nothing contained in the Plan shall be deemed to give the right to any Participant to be retained as an employee of the Company or any Related Corporation or to interfere with the right of the Company or any Related Corporation to discharge any Eligible Employee or Participant at any time.

12.8 Effect Upon Other Plans. The adoption of the Plan shall not affect any other compensation or incentive plans in effect for the Company. Nothing in the Plan shall be construed to limit the right of the Company to establish any other forms of incentives or compensation for Employees of the Company or any Related Corporation.

12.9 Section 16 Persons. Notwithstanding any other provision of the Plan, the Plan and the participation in the Plan by any individual who is then subject to Section 16 of the Exchange Act shall be subject to any additional limitations set forth in any applicable exemption rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, the Plan shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

12.10 Notice of Disposition of Shares. Each Participant shall give prompt notice to the Company of any disposition or other transfer of any Shares purchased upon exercise of a right under the Plan if such disposition or transfer is made: (a) within two years from the Enrollment Date of the Offering Period in which the Shares were purchased or (b) within one year after the Purchase Date on which such Shares were purchased. Such notice shall specify the date of such disposition or other transfer, the amount and type of consideration realized (cash, other property, assumption of indebtedness or other consideration) by the Participant in such disposition or other transfer, and such additional information as may be requested by the Administrator.

12.11 Equal Rights and Privileges. All Eligible Employees of the Company and any Related Corporation shall have equal rights and privileges under this Plan to the extent required under Section 423 of the Code so that this Plan qualifies as an “employee stock purchase plan” within the meaning of Section 423 of the Code. Any provision of this Plan that is inconsistent with Section 423 of the Code shall, without further act or amendment by the Company or the Board, be reformed to comply with the equal rights and privileges requirement of Section 423 of the Code.

12.12 Governing Law. The Plan and any agreements hereunder shall be administered, interpreted and enforced under the internal laws of the State of Delaware without regard to conflicts of laws thereof or of any other jurisdiction.

12.13 Electronic Delivery. Any reference herein to a "written" agreement or document shall include any agreement or document delivered electronically, filed publicly at www.sec.gov (or any successor website thereto) or posted on the Company's intranet (or other shared electronic medium controlled by the Company to which a Participant has access).

Exhibit 21.1

List of Subsidiaries of the Registrant

Subsidiary	Jurisdiction
MyCase, Inc.	California
Terra Mar Insurance Company, Inc.	Hawaii
RentLinx LLC	Michigan

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Registration Statement on Form S-1 of AppFolio, Inc. of our report dated April 17, 2015, except for the effects of the reverse stock split described in Note 1 to the consolidated financial statements, as to which the date is June 4, 2015, relating to the financial statements of AppFolio, Inc., which appears in such Registration Statement. We also consent to the reference to us under the heading “Experts” in such Registration Statement

/s/ PricewaterhouseCoopers LLP

Los Angeles, California
June 4, 2015